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**Audited Financial Report**

**City of Bay St. Louis  
Bay St. Louis, Mississippi**

**Fiscal Year Ended September 30, 2015**

**City of Bay St. Louis, Mississippi**  
**Audited Financial Report**  
Fiscal Year Ended September 30, 2015  
**Table of Contents**

<b>I. INTRODUCTORY SECTION</b>	
Listing of City Officials	1
<b>II. FINANCIAL SECTION</b>	
Independent Auditor's Report	2-3
<b>A. Management's Discussion and Analysis</b> (required supplementary information)	4-10
<b>B. Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	11
Statement of Activities	12
<b>Fund Financial Statements</b>	
<b>Governmental Fund Financial Statements</b>	
Balance Sheet	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Position	17
Statement of Revenues, Expenses, and Changes in Net Position	18
Statement of Cash Flow	19-20
<b>Notes to the Financial Statements</b>	21-42
<b>C. Required Supplemental Information</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Budget Basis – General Fund	43-44
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Budget Basis – Municipal Reserve Fund	45
Schedule of City's Proportionate Share of the Net Pension Liability	46
Schedule of City Contributions	47
Notes to the Required Supplemental Information	48

**City of Bay St. Louis, Mississippi**  
**Audited Financial Report**  
Fiscal Year Ended September 30, 2015  
**Table of Contents**

**D. Supplemental Information**

Combining Financial StatementsNon-Major Governmental Funds:	
Balance Sheet	49
Statement of Revenues, Expenditures, and Changes in Fund Balances	50
Schedule of Long Term Debt	51
Schedule of Surety Bonds for Municipal Officials and Employees	52

**III. COMPLIANCE SECTION**

<b>Schedule of Expenditures of Federal Awards</b>	53
<b>Independent Auditor's Report</b> on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54-55
<b>Independent Auditor's Report</b> on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	56-57
<b>Independent Auditor's Report</b> on Compliance with Mississippi State Laws and Regulations	58-60
<b>Schedule of Findings and Questioned Costs</b>	61-66
<b>Auditee's Corrective Action Plan</b>	67-68
<b>Summary of Prior Year Audit Findings</b>	69

## **Introductory Section**

# **City of Bay St. Louis, Mississippi**

Listing of City Officials

September 30, 2015

## **Elected Officials**

Mayor .....	Les Fillingame
Councilmember at Large.....	Mike Favre
Councilmember Ward 1 .....	Doug Seal, Jr.
Councilmember Ward 2 .....	Wendy McDonald
Councilmember Ward 3 .....	Jeffrey Reed
Councilmember Ward 4 .....	Robert J. Compretta
Councilmember Ward 5 .....	Joey Boudin
Councilmember Ward 6 .....	Lonnie Falgout

## **Appointed Department Heads**

City Clerk.....	David Kolf/Katherine Smith
City Attorney .....	Don Rafferty
Police Department.....	Mike DeNardo
Fire Department .....	Pam San Fillipo
Public Works.....	Kim Favre

## **Financial Section**

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of Bay St. Louis, Mississippi

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay St. Louis, Mississippi ("City"), as of and for the year ended September 30, 2015, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2015, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## Other Matters

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, and the schedule of budgetary comparison information on pages 43 through 45, and the Schedule of the City's Proportionate share of the Net Pension Liability, and the Schedule of City Contributions on pages 46 and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplemental and Other Information*

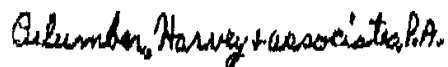
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining non-major fund financial statements, the schedule of long-term debt, and surety bonds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The introductory section, the schedule of long-term debt, and surety bonds have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Culumber, Harvey and Associates, PA  
Certified Public Accountants

Gulfport, Mississippi  
June 30, 2016

## **Management's Discussion and Analysis**

**CITY OF BAY ST. LOUIS, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Introduction**

The following Management's Discussion and Analysis of the City of Bay St. Louis ("the City") activities and financial performance provides an introduction to the financial statements of the City for the fiscal year ended September 30, 2015. The information contained in this Management's Discussion and Analysis has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

The components of the annual financial report include:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplemental Information (RSI)

The MD&A introduces the basic financial statements and provides an analytical overview of the City's financial activities. This MD&A provides comparisons with the previous year.

**Financial and Economical Highlights**

- The City's assets and deferred outflows of resources exceeded its liabilities at September 30, 2015 by \$117,140,047 and by \$129,924,592 at September 30, 2014.
- The total net position decreased by \$12,784,545 for 2015, including prior period adjustment, and increased by \$3,173,600 for 2014; and of these amounts, governmental activities decreased by \$9,016,539, largely from implementing GASB 68 for pension liabilities, while business type activities decreased by \$3,768,006 during 2015, after transferring \$300,000 to the General fund. During 2014, governmental activities net position decreased \$(97,001), and business type activities net position increased \$3,270,601, mainly to the completion of the municipal harbor.
- The City's governmental funds reported a combined ending fund balance of \$1,592,810 for 2015, and \$579,508 for 2014, an increase of \$1,013,302.
- Unassigned fund balance for the general fund was \$(94,200) for 2015 compared to \$286,981 for 2014.
- The City was named one of America's coolest small towns in 2013 by Budgettravel.com
- The City was named one of the Best Little Beach Towns on the Gulf Coast according to Coastal Living Magazine
- Our Harbor was voted second place in the 2015 Boater's Choice Top-Ten All-Around Marinas according to Marinas.com

According to the US Census updates, the City of Bay St. Louis has experienced the fastest growing population in the state since the 2010 census was completed. That, combined with a rapidly expanding commercial presence in the City indicates that the City's efficient operations are attracting new residents and businesses alike. The city continues to provide one of the lowest property tax rates in the area and offers very competitive utility rates for its citizens. The city has grown geographically to twice its size since 2005 due to annexation and manages over \$150,000,000 in net assets while streamlining its workforce by 10% during that same time. Applied operational efficiency has enabled the city to accumulate a healthy municipal reserves fund as of the date of this report. These measures will ensure that Bay St Louis continues to be "A Place Apart" for its citizens to enjoy.

4

**CITY OF BAY ST. LOUIS, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Overview of the Financial Statements**

The City's basic financial statements comprise the following elements:

*Government-Wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. There are two government-wide statements: the statement of net position and the statement of activities.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health & welfare, economic development, and culture and recreation. The major business-type activities of the City include providing water and sewer services to the residents of the City of Bay St. Louis.

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting not only to ensure and demonstrate compliance with finance-related legal requirements but also to help control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants, and other money. All of the funds of the City can be divided into two categories:

- **Governmental funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is always classified as a major fund, and the other governmental funds for the purpose of consistency. The municipal reserve and debt service funds were also selected by the City to be reported as a major fund due to its importance to readers. The basic governmental fund financial statements can be found on pages 13-16 of this report.

- **Proprietary Fund**

The City maintains two enterprise funds, which is only one type of proprietary funds. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. Information is presented in the proprietary statement of net position and the proprietary statement of revenues, expenses, and changes in net position, along with a statement of cash flow. The proprietary fund financial statements can be found on pages 17-20 of this report.

5  
**CITY OF BAY ST. LOUIS, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Refer to Note 1 for more detailed information on the elements of the financial statements

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplemental information. The budget comparisons for the general fund and municipal reserve fund are presented immediately after the basic financial statements as required supplemental information.

**Government-wide Financial Analysis**

The table below presents the City's condensed statement of net position as of September 30, 2015 and 2014.

**Government-Wide Statement of Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Current and other assets	\$ 2,447,315	\$ 4,697,079	\$ 1,213,928	\$ 1,276,915	\$ 3,661,243	\$ 5,973,994
Capital assets, net	53,419,571	55,613,533	73,369,750	76,944,734	126,789,321	132,558,267
Total assets	55,866,886	60,310,612	74,583,678	78,221,649	130,450,564	138,532,261
Deferred Outflows of Resources	1,521,623	-	199,632	-	1,721,255	-
<b>Liabilities:</b>						
Current and other liabilities	1,038,102	1,644,177	779,252	1,330,737	1,817,354	2,974,914
Long-term liabilities	10,387,842	1,562,293	2,230,130	1,418,154	12,617,972	2,980,447
Total liabilities	11,425,944	3,206,470	3,009,382	2,748,891	14,435,326	5,955,361
Deferred Inflows of Resources	527,270	2,652,308	69,176	-	596,446	2,652,308
<b>Net position:</b>						
Invested in capital assets, net of related debt	51,703,058	54,176,680	71,989,750	75,244,734	123,692,808	129,421,414
Restricted	1,419,274	110,570	196,560	47,487	1,615,834	158,057
Unrestricted	(7,687,037)	164,584	(481,558)	180,537	(8,168,595)	345,121
Total net position	\$ 45,435,295	\$ 54,451,834	\$ 71,704,752	\$ 75,472,758	\$ 117,140,047	\$ 129,924,592

*Analysis of Government Wide Statement of Net Position:*

The City's assets exceeded liabilities by \$117,140,047 for 2015 and by \$129,292,592 for 2014. By far, the largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire or construct those assets. In 2015 that amount decreased by \$5,728,606 from \$129,421,414 in 2014 to \$123,692,808 in 2015, while the Capital assets, net of depreciation also decreased \$5,768,946 from \$132,558,267 in 2014 to \$126,789,321 in 2015. There remains only \$98,612 of construction in progress on the fixed asset books at the end of 2015. The restricted net assets of \$1,419,274 are comprised of \$943,562 for capital improvements, \$399,465 for public safety, and \$76,247 for future debt service. The remainingunrestricted deficitbalance of \$(7,687,037) is a result of implementing GASB 68 on pension liability.

**CITY OF BAY ST. LOUIS, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

The table below presents the City's condensed statement of activities as of September 30, 2015 and 2014:

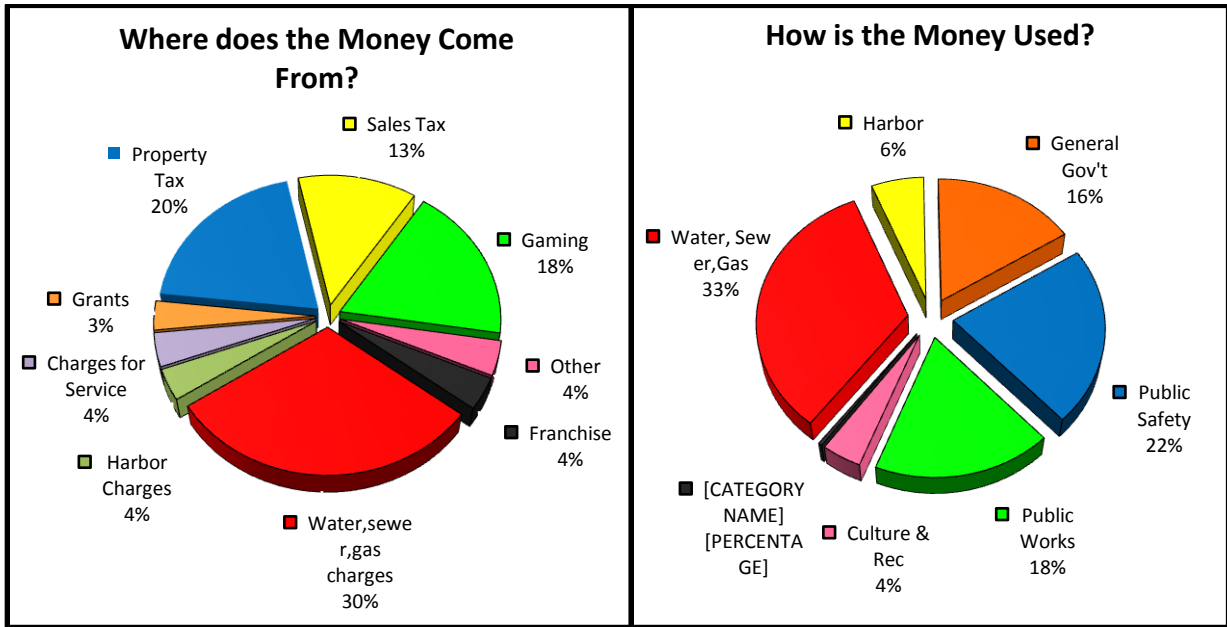
<b>Government Wide Statement of Activities</b>						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 458,510	\$ 445,104	\$ 3,983,494	\$ 3,278,564	\$ 4,442,004	\$ 3,723,668
Operating grants	374,633	565,334	-	-	374,633	565,334
Capital grants	-	7,500,949	19,099	1,026,278	19,099	8,527,227
Total program	833,143	8,511,387	4,002,593	4,304,842	4,835,736	12,816,229
General revenues						
Property taxes	2,315,702	1,814,631	-	-	2,315,702	1,814,631
Sales taxes	1,472,826	1,318,561	-	-	1,472,826	1,318,561
Franchise taxes	440,103	427,665	-	-	440,103	427,665
Gaming revenue	2,122,677	2,319,882	-	-	2,122,677	2,319,882
Intergovernmental	276,869	-	-	-	276,869	-
Gain on sale of assets	276,551	-	-	-	276,551	-
Other	410,945	46,878	44,810	16,457	455,755	63,335
Total general	7,315,673	5,927,617	44,810	16,457	7,360,483	5,944,074
Total revenues	8,148,816	14,439,004	4,047,403	4,321,299	12,196,219	18,760,303
<b>Expenses</b>						
General government	2,742,988	2,379,448	-	-	2,742,988	2,379,448
Public safety	3,687,750	3,238,788	-	-	3,687,750	3,238,788
Public works	3,026,135	2,905,395	-	-	3,026,135	2,905,395
Culture and recreation	677,944	535,197	-	-	677,944	535,197
Interest	65,058	30,943	-	-	65,058	30,943
Water, sewer, and gas	-	-	5,604,634	6,206,053	5,604,634	6,206,053
Harbor	-	-	997,287	290,879	997,287	290,879
Total expenses	10,199,875	9,089,771	6,601,921	6,496,932	16,801,796	15,586,703
Operating income (loss)	(2,051,059)	5,349,233	(2,554,518)	(2,175,633)	(4,605,577)	3,173,600
Unallowable grant costs	(302,729)	-	-	-	(302,729)	-
Operating Transfers	300,000	(5,446,234)	(300,000)	5,446,234	-	-
Change in net position	(2,053,788)	(97,001)	(2,854,518)	3,270,601	(4,908,306)	3,173,600
Beginning net position	54,451,834	54,548,835	75,472,758	72,202,157	129,924,592	126,750,992
Prior period adjustments	(6,962,751)	-	(913,488)	-	(7,876,239)	-
Restated beginning net	47,489,083	54,548,835	74,559,270	72,202,157	122,048,353	126,750,992
Ending net position	\$45,435,295	\$54,451,834	\$71,704,752	\$75,472,758	\$117,140,047	\$ 129,924,592

*Analysis of Government Wide Statement of Activities:*

**Revenues**

Total revenues for 2015 decreased by \$6.6 million from \$18,760,303 in 2014 to \$12,196,219 in 2015. With the near completion of hurricane recovery, federal grants are returning to pre-hurricane levels. The following graphs reflect the revenues and expenses of the City and the percentage of total for each type.

**CITY OF BAY ST. LOUIS, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**



*Property Tax* – Property tax accounts for \$2.3 million or 19% of the City's total revenues and is considered one of the most stable revenue sources for the City. The City's property tax revenue increased by \$501,071 as compared to the previous year, due to a tax increase for debt service and municipal reserve. The entire Gulf South Region is experiencing significant insurance cost increases, increased cost of construction due to new elevation requirements, and overall insurability issues.

*Sales Tax* – A significant source of revenue for the City is sales taxes accounting for \$1.5 million or 12% of the City's total revenues. Sales tax increased by \$154,265 from the prior year.

*Gaming revenue* – Another significant source of revenue for the City is gaming revenues from the Hollywood Casino totaling \$2.1 million, a decrease of \$197,265 from the prior year.

### Expenses

Total program expenses increased by \$1,215,093 from \$15,586,703 in 2014 to \$16,801,796 in 2015. The Chart below represents the cost of each of the City's major governmental functional areas for 2015:

	Total Cost of Service	Net Cost of Service
Governmental Activities:		
General Government	\$ 2,742,988	\$ 2,404,236
Public Safety	3,687,750	3,396,849
Public Works	3,026,135	2,822,645
Culture and Recreation	677,944	677,944
Interest on long term debt	65,058	65,058
Total Governmental activities	\$ 10,199,875	\$ 9,366,732

8  
**CITY OF BAY ST. LOUIS, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Governmental Funds Analysis**

As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,592,810, an increase of \$1,013,302 from the previous fiscal year. Of that balance \$1,076,004 is restricted for capital improvements, \$321,485 for law enforcement, \$77,980 for fire safety, and \$76,247 for future debt service payments, with the remainder unrestricted in the general fund.

- General Fund
  1. Fund balance totaled \$119,074, a decrease of \$336,341 from the previous year.
  2. Revenues decreased \$52,774, while expenditures decreased by \$527,984.
  3. Received \$300,000 transfer from water, sewer, gas, and harbor funds.
  4. Received \$419,638 capital lease loan proceeds for 11 police vehicles.
- Debt Service Fund
  1. Paid out \$359,280 in debt service, and received \$311,001 in property tax revenues.
  2. Amounts transferred in from general fund totaled \$61,484.
  3. Fund Balance totaled \$76,247, an increase of \$13,248 from the previous year.

**Enterprise Funds Analysis**

Total operating income increased \$409,243 from previous year, and the net change in position was \$(2,854,518) after transferring \$300,000 to the General fund, resulting in unrestricted net position of \$(481,558) at the end of 2015 after adjustments for GASB 68 pension liability accruals.

	2015	2014
Operating Revenues	\$ 3,983,494	\$ 3,278,564
Operating Expenses	6,555,381	6,259,694
Operating Income	(2,571,887)	(2,981,130)
Non-Operating Items:		
Interest Expense	(46,540)	(237,238)
Other Income	44,810	16,147
Grant Revenue	19,099	1,026,278
Transfers Out	(300,000)	(485,000)
Transfers In	-	5,931,234
Total Non-Operating	(282,631)	6,251,421
Change in Net Position	\$ (2,854,518)	\$ 3,270,601

**Budget Variances in the General Fund**

Amendments to the original budget decreased total appropriations by \$427,377; while, budgeted revenues only increased by \$23,990. Refer to the budgetary comparison schedule for the General Fund on page 43-44 in the RSI section of the annual report.

**Capital Asset and Long-Term Debt Activity**

Capital Asset Activity

At September 30, 2015, the City reported \$53,419,571 in net capital assets for governmental activities and \$73,369,750 for business-type activities for a total of \$126,789,321 net of depreciation, compared to \$132,558,267 for 2014. Construction in progress increased from \$89,719 in 2014 to \$98,612 in 2015.



**CITY OF BAY ST. LOUIS, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Capital Assets  
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 857,633	\$ 1,097,633	\$ -	\$ -	\$ 857,633	\$ 1,097,633
Buildings	26,636,480	27,229,263	40,978	41,978	26,677,458	27,271,241
Machinery & equipment	511,272	400,550	191,022	213,676	702,294	614,226
Infrastructure/improvements	23,998,765	25,508,196	73,127,047	76,679,287	97,125,812	102,187,483
Vehicles	235,069	296,390	10,703	9,793	245,772	306,183
Leased equipment/vehicles	1,081,740	991,782	-	-	1,081,740	991,782
Construction in progress	98,612	89,719	-	-	98,612	89,719
Total	<u>\$53,419,571</u>	<u>\$55,613,533</u>	<u>\$73,369,750</u>	<u>\$76,944,734</u>	<u>\$126,789,321</u>	<u>\$ 132,558,267</u>

Additional information on the City's capital assets can be found in Note H on pages 30-31 of this report.

**Long-Term Debt Activity**

At the end of the current fiscal year, the City had \$3,381,652 in outstanding debt. During the year the City issued \$419,638 of capital leases for (11) Dodge Chargers. Additional information on the City's long-term debt can be found in Note J: Long-Term Debt on pages 33-34 and the Schedule of Long-Term Debt on page 51 of the supplemental information section of this report.

**Bonds, Loans and Other Debt**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Bonds payable	\$ 537,500	\$ 645,000	\$ 1,380,000	\$ 1,700,000	\$ 1,917,500	\$ 2,345,000
Capital leases payable	1,047,466	791,853	-	-	1,047,466	791,853
Notes payable	131,547	182,266	-	290,141	131,547	472,407
Compensated absences	252,418	264,359	32,721	38,154	285,139	302,513
Total	<u>\$ 1,968,931</u>	<u>\$ 1,883,478</u>	<u>\$ 1,412,721</u>	<u>\$ 2,028,295</u>	<u>\$ 3,381,652</u>	<u>\$ 3,911,773</u>

**Contact the City's Financial Management**

Questions about this report or requests for additional financial information may be addressed to:

Sissy Gonzales, City Comptroller  
City of Bay St. Louis, Mississippi  
P. O. Box 2550  
Bay St. Louis, MS 39521

## **Basic Financial Statements**



**City of Bay St. Louis, Mississippi**  
**Statement of Net Position**  
September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 850,860	\$ 287,217	\$ 1,138,077
Restricted cash	77,980	499,877	577,857
Receivables:			
Taxes	402,116	-	402,116
Customer accounts, net	-	536,610	536,610
Due from other governments	586,663	-	586,663
Other	178,567	-	178,567
Inventory	-	70,992	70,992
Internal balances	215,835	(215,835)	-
Prepaid insurance	135,294	35,067	170,361
Capital assets:			
Land and construction in progress	956,245	-	956,245
Other (net of accumulated depreciation)	52,463,326	73,369,750	125,833,076
Total assets	<u>55,866,886</u>	<u>74,583,678</u>	<u>130,450,564</u>
<b>Deferred Outflows of Resources</b>			
Deferred amount on pension	<u>1,521,623</u>	<u>199,632</u>	<u>1,721,255</u>
<b>Liabilities</b>			
Accounts payable	475,140	111,149	586,289
Accrued payroll	175,694	24,039	199,733
Accrued interest payable	29,350	10,747	40,097
Deposits payable	31,100	303,317	334,417
Due within one year:			
Bonds and notes	326,818	330,000	656,818
Due beyond one year:			
Bonds and notes	1,389,695	1,050,000	2,439,695
Net pension liability	8,745,729	1,147,409	9,893,138
Compensated absences	252,418	32,721	285,139
Total liabilities	<u>11,425,944</u>	<u>3,009,382</u>	<u>14,435,326</u>
<b>Deferred Inflows of Resources</b>			
Deferred amount on pension	<u>527,270</u>	<u>69,176</u>	<u>596,446</u>
<b>Net position</b>			
Net Investment in capital assets	51,703,058	71,989,750	123,692,808
Restricted for:			
Debt service	76,247	196,560	272,807
Public safety	399,465	-	399,465
Capital improvements	943,562	-	943,562
Unrestricted	(7,687,037)	(481,558)	(8,168,595)
Total net position	<u>\$ 45,435,295</u>	<u>\$ 71,704,752</u>	<u>\$ 117,140,047</u>

*The Accompanying Notes are an Integral Part of the Financial Statements.*

**City of Bay St. Louis, Mississippi**  
**Statement of Activities**  
For the Fiscal Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 2,742,988	\$ 338,752	\$ -	\$ -	\$ (2,404,236)	\$ -	\$ (2,404,236)
Public Safety	3,687,750	119,758	171,143	-	(3,396,849)	-	(3,396,849)
Public Works	3,026,135	-	203,490	-	(2,822,645)	-	(2,822,645)
Culture and Recreation	677,944	-	-	-	(677,944)	-	(677,944)
Interest and Other, Long-Term Debt	65,058	-	-	-	(65,058)	-	(65,058)
Total Governmental Activities	10,199,875	458,510	374,633	-	(9,366,732)	-	(9,366,732)
<b>Business-Type Activities:</b>							
Water, sewer, and gas	5,604,634	3,556,207	-	-	-	(2,048,427)	(2,048,427)
Harbor	997,287	427,287	-	19,099	-	(550,901)	(550,901)
Total Business-Type Activities	6,601,921	3,983,494	-	19,099	-	(2,599,328)	(2,599,328)
Total Primary Government	\$ 16,801,796	\$ 4,442,004	\$ 374,633	\$ 19,099	(9,366,732)	(2,599,328)	(11,966,060)
<b>General revenues:</b>							
Property taxes					2,315,702	-	2,315,702
Sales taxes					1,472,826	-	1,472,826
Franchise taxes					440,103	-	440,103
Gaming revenues					2,122,677	-	2,122,677
Intergovernmental					276,869	-	276,869
Unallowed grant costs					(302,729)	-	(302,729)
Gain (loss) on sale of assets					276,551	-	276,551
Miscellaneous					410,945	44,810	455,755
Operating transfers					300,000	(300,000)	-
Total general revenues and transfers					7,312,944	(255,190)	7,057,754
Change in net position					(2,053,788)	(2,854,518)	(4,908,306)
Net Position - beginning of period					54,451,834	75,472,758	129,924,592
Prior period adjustment					(6,962,751)	(913,488)	(7,876,239)
Net Position - beginning as restated					47,489,083	74,559,270	122,048,353
Net Position - end of period					\$ 45,435,295	\$ 71,704,752	\$ 117,140,047

*The Accompanying Notes are an Integral Part of the Financial Statements.*

**City of Bay St. Louis, Mississippi**

**Balance Sheet**

**Governmental Funds**

September 30, 2015

	General	Municipal Reserve	Debt Service	Other Non-Major Governmental	Total Governmental
<b>Assets</b>					
Cash and cash equivalents	\$ 203,537	\$ 572,679	\$ 60,814	\$ 13,830	\$ 850,860
Restricted cash	77,980	-	-	-	77,980
Receivables:					
Property taxes	12,226	1,349	2,132	-	15,707
Sales taxes	265,002	-	-	-	265,002
Franchise taxes	121,407	-	-	-	121,407
Gaming	130,831	-	-	-	130,831
Court fines, net	172,571	-	-	-	172,571
Other	5,996	-	-	-	5,996
Due from other governments	266,029	-	-	189,803	455,832
Due from other funds	202,534	369,534	57,458	448,536	1,078,062
Prepaid insurance	135,294	-	-	-	135,294
Total assets	<u>1,593,407</u>	<u>943,562</u>	<u>120,404</u>	<u>652,169</u>	<u>3,309,542</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<i>Liabilities</i>					
Accounts payable	215,473	-	-	198,242	413,715
Accrued liabilities	61,425	-	-	-	61,425
Accrued payroll	175,694	-	-	-	175,694
Developer deposits	31,100	-	-	-	31,100
Due to other funds	818,070	-	44,157	-	862,227
Total liabilities	<u>1,301,762</u>	<u>-</u>	<u>44,157</u>	<u>198,242</u>	<u>1,544,161</u>
<i>Deferred Inflows of Resources</i>					
Deferred Court Fees	<u>172,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,571</u>
<i>Fund Balances</i>					
Nonspendable for prepaids	135,294	-	-	-	135,294
Restricted for:					
Capital improvements	-	943,562	-	-	943,562
Fire safety	77,980	-	-	-	77,980
Law enforcement	-	-	-	321,485	321,485
Debt service	-	-	76,247	-	76,247
Committed:					
Capital improvements	-	-	-	132,442	132,442
Unassigned	<u>(94,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,200)</u>
Total fund balances	<u>119,074</u>	<u>943,562</u>	<u>76,247</u>	<u>453,927</u>	<u>1,592,810</u>
Total liabilities and fund balances	<u>\$ 1,593,407</u>	<u>\$ 943,562</u>	<u>\$ 120,404</u>	<u>\$ 652,169</u>	<u>\$ 3,309,542</u>

*The Accompanying Notes are an Integral Part of the Financial Statements.*

**City of Bay St. Louis, Mississippi**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
as of September 30, 2015

Total fund balances of governmental funds in the balance sheet, page 13		\$ 1,592,810
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	69,982,349	
Less: accumulated depreciation	<u>(16,562,778)</u>	53,419,571
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(8,745,729)
Some of the City's revenues will be collected after year-end but are not available to pay current period expenditures and therefore not currently recognized as revenue in the funds.		
Deferred court fees		172,571
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	1,521,623	
Deferred inflows of resources related to pensions	<u>(527,270)</u>	994,353
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. Also governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Accrued interest payable	(29,350)	
Governmental bonds and notes payable	(1,716,513)	
Compensated absences payable	<u>(252,418)</u>	(1,998,281)
Net position of governmental activities, page 11		<u><u>\$ 45,435,295</u></u>

*The Accompanying Notes are an Integral Part of the Financial Statements.*

**City of Bay St. Louis, Mississippi**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

For the Fiscal Year Ended September 30, 2015

	General	Municipal Reserve	Debt Service	Other Nonmajor Governmental	Total Governmental
<b>Revenues</b>					
Taxes:					
Property	\$ 1,808,314	\$ 196,387	\$ 311,001	\$ -	\$ 2,315,702
Sales	1,472,826	-	-	-	1,472,826
Franchise	440,103	-	-	-	440,103
Licenses and permits	259,363	-	-	-	259,363
Intergovernmental	276,869	-	-	-	276,869
Charges for services	79,389	-	-	-	79,389
Gaming revenue	2,122,677	-	-	-	2,122,677
Grants	171,143	-	-	203,490	374,633
Fines and forfeitures	119,758	-	-	-	119,758
Other	60,324	738	43	13	61,118
Total revenues	6,810,766	197,125	311,044	203,503	7,522,438
<b>Expenditures</b>					
Current:					
General government	2,172,254	-	-	-	2,172,254
Public safety	2,918,238	-	-	-	2,918,238
Public works	1,656,004	-	-	-	1,656,004
Culture and recreation	234,262	-	-	-	234,262
Capital Outlay:					
General government	15,250	-	-	-	15,250
Public safety	419,638	-	-	-	419,638
Public works	8,893	-	-	-	8,893
Debt service:					
Principal retirement	-	-	322,244	-	322,244
Interest and agent fees	-	-	37,036	-	37,036
Total expenditures	7,424,539	-	359,280	-	7,783,819
Excess (deficiency) of revenues over expenditures	(613,773)	197,125	(48,236)	203,503	(261,381)
<b>Other financing sources (uses)</b>					
Insurance proceeds	26,456	-	-	-	26,456
Proceeds of loans	419,638	-	-	-	419,638
Sale of capital assets	7,076	513,850	-	-	520,926
BP settlement	-	310,392	-	-	310,392
Unallowable grant costs	-	-	-	(302,729)	(302,729)
Transfers in	465,230	-	61,484	700,193	1,226,907
Transfers out	(640,968)	(91,711)	-	(194,228)	(926,907)
Total other financing sources (uses)	277,432	732,531	61,484	203,236	1,274,683
Net change in fund balance	(336,341)	929,656	13,248	406,739	1,013,302
Fund balance, beginning	455,415	13,906	62,999	47,188	579,508
Fund balances, end of year	\$ 119,074	\$ 943,562	\$ 76,247	\$ 453,927	\$ 1,592,810

*The Accompanying Notes are an Integral Part of the Financial Statements.*



**City of Bay St. Louis, Mississippi**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
for the Fiscal Year Ended September 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances of governmental funds, page 15	\$	1,013,302
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	443,781		
Less: current year depreciation	<u>(2,393,368)</u>		(1,949,587)

When assets are sold or retired in the fund statements the entire amount is shown in the fund statements, however, only the difference in book value and income received is shown as income in the government wide statements.			(244,375)
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Repayment of borrowed principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets			
Proceeds of loan	(419,638)		
Principal debt repayments	<u>322,244</u>		(97,394)

Court fees recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the statement of activities using the full accrual basis			12,979
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The statement of Activities reports an expense equal to the City's proportionate share of the net pension expense for the cost sharing pension plan, however, in governmental funds, the cost sharing expenses are measured by the current amount of contributions made to the plan			
Pension expense	(910,522)		
Deferred outflow of current year pension contributions subsequent to measurement date	<u>137,890</u>		(772,632)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds			
Accrued interest expense	(28,022)		
Change in long-term compensated absences	<u>11,941</u>		(16,081)

Change in net position of governmental activities, page 12	\$	<u><u>(2,053,788)</u></u>
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*The Accompanying Notes are an Integral Part of the Financial Statements.*

**City of Bay St. Louis, Mississippi**

**Statement of Net Position**

**Proprietary Funds**

September 30, 2015

	<u>Business-Type Activities-Enterprise Funds</u>		
	<u>Major Funds</u>		
	Utility Fund	Harbor Fund	Total Enterprise Funds
<b>Assets</b>			
Current assets:			
Cash	\$ 99,881	\$ 187,336	\$ 287,217
Restricted cash	499,877	-	499,877
Receivables, net	519,802	16,808	536,610
Due from other funds	-	3,716	3,716
Inventory	44,227	26,765	70,992
Prepaid expenses	35,067	-	35,067
Total current assets	<u>1,198,854</u>	<u>234,625</u>	<u>1,433,479</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	-	-	-
Other (net of accumulated depreciation)	52,733,735	20,636,015	73,369,750
Total noncurrent assets	<u>52,733,735</u>	<u>20,636,015</u>	<u>73,369,750</u>
Total assets	53,932,589	20,870,640	74,803,229
<b>Deferred Outflows of Resources</b>			
Deferred outflows - pensions	158,129	41,503	199,632
Total assets and deferred outflows	<u>54,090,718</u>	<u>20,912,143</u>	<u>75,002,861</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	69,474	41,675	111,149
Accrued payroll	19,044	4,995	24,039
Accrued interest	10,747	-	10,747
Due to other funds	210,246	9,305	219,551
Customer deposits payable from restricted assets	303,317	-	303,317
Current portion of bond and notes	330,000	-	330,000
Total current liabilities	<u>942,828</u>	<u>55,975</u>	<u>998,803</u>
Non-current liabilities:			
Compensated absences	24,169	8,552	32,721
Net pension liability	908,866	238,543	1,147,409
Notes payable, non-current	1,050,000	-	1,050,000
Total non-current liabilities	<u>1,983,035</u>	<u>247,095</u>	<u>2,230,130</u>
Total liabilities	2,925,863	303,070	3,228,933
<b>Deferred Inflows of Resources</b>			
Deferred inflows - pensions	54,794	14,382	69,176
Total liabilities and deferred inflows	<u>2,980,657</u>	<u>317,452</u>	<u>3,298,109</u>
<b>Net Position</b>			
Net investment in capital assets	51,353,735	20,636,015	71,989,750
Restricted for debt service	196,560	-	196,560
Unrestricted	(440,234)	(41,324)	(481,558)
Total net position	<u>\$ 51,110,061</u>	<u>\$ 20,594,691</u>	<u>\$ 71,704,752</u>

*The Accompanying Notes are an Integral Part of the Financial Statements.*

**City of Bay St. Louis, Mississippi**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2015

	Business-Type Activities-Enterprise Funds		
	Major Funds		Total
	Utility Fund	Harbor Fund	Enterprise Funds
<b>Operating Revenues</b>			
Charges for services:			
Water charges	\$ 557,671	\$ -	\$ 557,671
Sewer charges	694,671	-	694,671
Wastewater charges	701,328	-	701,328
Gas charges	537,923	-	537,923
Garbage charges	431,545	-	431,545
Slip rental fees	-	209,875	209,875
Fuel sales	-	217,412	217,412
Late pay penalties	89,447	-	89,447
Debt service charges	543,622	-	543,622
Total operating revenue	<u>3,556,207</u>	<u>427,287</u>	<u>3,983,494</u>
<b>Operating expenses</b>			
Personal services	581,107	155,204	736,311
Natural gas purchases	342,391	-	342,391
Fuel purchases	-	166,964	166,964
Garbage costs	417,648	-	417,648
Wastewater treatment	666,307	-	666,307
Supplies	168,223	56,656	224,879
Other services and charges	342,066	85,921	427,987
Depreciation	<u>3,040,352</u>	<u>532,542</u>	<u>3,572,894</u>
Total operating expenses	<u>5,558,094</u>	<u>997,287</u>	<u>6,555,381</u>
Operating income (loss)	<u>(2,001,887)</u>	<u>(570,000)</u>	<u>(2,571,887)</u>
<b>Non-operating revenues (expenses):</b>			
Grants	-	19,099	19,099
Other income	38,321	6,489	44,810
Interest expense	(46,540)	-	(46,540)
Transfers out	<u>(200,000)</u>	<u>(100,000)</u>	<u>(300,000)</u>
Net non-operating revenues			
over (under) expenses	<u>(208,219)</u>	<u>(74,412)</u>	<u>(282,631)</u>
Change in net position	<u>(2,210,106)</u>	<u>(644,412)</u>	<u>(2,854,518)</u>
Net position, beginning of year	54,043,743	21,429,015	75,472,758
Prior Period Adjustment	<u>(723,576)</u>	<u>(189,912)</u>	<u>(913,488)</u>
Net position, beginning restated	<u>53,320,167</u>	<u>21,239,103</u>	<u>74,559,270</u>
Net position, end of year	<u>\$ 51,110,061</u>	<u>\$ 20,594,691</u>	<u>\$ 71,704,752</u>

*The Accompanying Notes are an Integral Part of the Financial Statements.*

**City of Bay St. Louis, Mississippi**  
**Statement of Cash Flow**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2015

	Business-Type Activities-Enterprise Funds		
	Major Funds		Total
	Utility Fund	Harbor Fund	Enterprise Funds
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 3,622,097	\$ 437,914	\$ 4,060,011
Payments to suppliers	(929,634)	(209,718)	(1,139,352)
Payments for contractual services	(1,180,000)	(204,821)	(1,384,821)
Payments for services of employees	(502,702)	(132,956)	(635,658)
Net cash provided by (used in) operating activities	1,009,761	(109,581)	900,180
<b>Cash flows from non-capital financing activities</b>			
Other income	38,321	6,489	44,810
Receipt of grants	-	219,813	219,813
Transfers (to) from other funds	(200,000)	(100,000)	(300,000)
Net cash provided by (used in) non-capital financing activities	(161,679)	126,302	(35,377)
<b>Cash flows from capital and related financing activities</b>			
Acquisition of capital assets	-	22,053	22,053
Retirement of debt	(610,141)	-	(610,141)
Interest paid on debt	(45,631)	-	(45,631)
Net cash provided by (used in) capital and related financing activities	(655,772)	22,053	(633,719)
<b>Cash flows from investing activities</b>			
Temporary loan repayments	-	34,613	34,613
Temporary loans to other funds	(2,913)	(9,305)	(12,218)
Net cash provided by (used in) investing activities	(2,913)	25,308	22,395
Net increase (decrease) in cash	189,397	64,082	253,479
Cash and cash equivalents, beginning	410,361	123,254	533,615
Cash and cash equivalents, ending	\$ 599,758	\$ 187,336	\$ 787,094
Classified as:			
Current assets	\$ 99,881	\$ 187,336	\$ 287,217
Restricted assets	499,877	-	499,877
Totals	\$ 599,758	\$ 187,336	\$ 787,094
	<b>Current Assets</b>	<b>Restricted Assets</b>	<b>Total</b>
Cash and cash equivalents - October 1	\$ 182,813	\$ 350,802	\$ 533,615
Net increase (decrease)	104,404	149,075	253,479
Cash and cash equivalents - September 30	\$ 287,217	\$ 499,877	\$ 787,094

(Continued)

**City of Bay St. Louis, Mississippi**  
**Statement of Cash Flow**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2015  
(Continued)

	Business-Type Activities-Enterprise Funds		
	Major Fund		Total Enterprise Funds
	Utility Fund	Harbor Fund	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (2,001,887)	\$ (570,000)	\$ (2,571,887)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	3,040,352	532,542	3,572,894
Changes in assets and liabilities:			
Accounts receivable	57,010	10,627	67,637
Inventory	(19,550)	13,902	(5,648)
Prepaid	6,932	-	6,932
Accounts payable	(160,381)	(118,900)	(279,281)
Accrued payroll	(3,550)	738	(2,812)
Net pension liability	171,944	45,128	217,072
Deferred outflow	(144,783)	(38,000)	(182,783)
Deferred inflow	54,794	14,382	69,176
Customer deposits	8,880	-	8,880
Net cash provided by (used in) operating activities	<u>\$ 1,009,761</u>	<u>\$ (109,581)</u>	<u>\$ 900,180</u>

*The Accompanying Notes are an Integral Part of the Financial Statements.*

## **NOTES TO THE FINANCIAL STATEMENTS**

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

**I. Summary of Significant Accounting Policies**

The financial statements of the City of Bay St. Louis, Mississippi (the City) have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) applicable to governmental units. The following is a summary of the more significant accounting policies of the City:

**(A) Reporting Entity**

The City of Bay St. Louis, Mississippi was incorporated on January 21, 1818 under the laws of the State of Mississippi. The City operates under a Mayor-Council form of government and provides the following services: public safety, (police, fire, and protection inspection), public works (streets maintenance and sanitation, water, sewer and gas services), cultural and recreational services, public improvements, planning and zoning, and general administrative services.

The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. As required by GAAP, these financial statements present the City (the primary government) and its components.

**(B) Component Unit Disclosure**

The criteria for including component units consists of identification of legally separate organizations for which the elected officials of the City are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations, therefore data from these units is combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The City has no component units.

**(C) Related Organizations**

The Bay-Waveland Municipal Separate School District has been excluded from the reporting entity, because it is an "other stand-alone government". The school district is a related organization of, but not a component unit of the City. Although the governing authorities of the City select a majority of the school district's board, they do not have ongoing financial accountability for the school district.

**(D) Joint Ventures and Jointly Governed Organizations**

Additionally, during its evaluation of potential component units, management identified two joint ventures (Hancock County Solid Waste Authority, and the Hancock County Utility Authority), and one jointly governed organization (the Hancock County Library System).

A joint venture is a legal entity or other organization that results from a contractual arrangement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients.

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

A jointly governed organization is similar in nature to a joint venture in that they provide goods and services to the citizenry of two or more governments. However, they do not meet the definition of a joint venture because there is no ongoing significant financial interest or responsibility by the participating governments.

**(E) Basic Financial Statements- GASB Statement 34**

**Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), the new financial reporting model focuses on either the City as a whole, or on major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The government-wide financial statements, including the *statement of net position* and the *statement of activities*, report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from the statements. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely extensively on fees and charges for support. In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**(F) Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, i.e., measurable and available to pay liabilities of the current period.



**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

*Available* means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized when the related fund liability is incurred, if measurable, except for interest on long-term debt and the long-term portion of accumulated compensated absences, which are recognized when due.

Year-end accruals of ad valorem taxes, sales taxes, and franchise fees are based upon actual collections of amounts remitted to the City within 60 days of year end. Anticipated refunds of taxes are recorded as liabilities and reductions of revenue when they are measurable. Other licenses and permits, charges for services, fines and penalties, and miscellaneous revenues are recorded as revenues when they are received, as they are generally not measurable until actually received; however, charges for services which are measurable are recorded as revenue in the period earned.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33 the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

The financial transactions of the City are recorded in the individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures / expenses. The various funds are reported by generic classification within the financial statements.

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal operations. The principal operating revenues of the Water, Sewer and Gas fund and the Harbor fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of the basic financial statements in conformity with GAAP requires management to make use of estimates that affect reported amounts in the basic financial statements. Actual results could differ from estimates.

**(G) Fund Types and Major Funds**

**Governmental Funds**

Governmental funds are those funds through which the City finances most of its municipal services and are accounted for on the basis of a spending measurement focus. The focus on governmental funds is on the determination of changes in financial position rather than upon net income determination. The City’s major governmental funds are as follows:

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

23

**General Fund** is the City's primary operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in a separate fund. This fund is always classified as a major fund by definition.

**Debt Service Fund** is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs. Revenues are received primarily from a separate property tax levy. This fund was selected to be classified as a major fund due to the type of expenditures.

**Municipal Reserve Fund** is used to account for an accumulation of reserved revenues primarily received from a separate property tax levy. This fund was selected to be classified as a major fund due to the type of expenditures.

**Other Non-Major Governmental Funds** is a summarization of all non-major governmental funds including:

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental funds column on pages 13-16 and shown in the combining statements on pages 49-50.

**Proprietary Funds**

The focus of Proprietary Fund measurement is upon determination of operating income, changes in fund net position, financial position, and cash flows, which is similar to businesses. The following is a description of the Proprietary Funds of the City:

**Enterprise Funds**

The Utility Fund accounts for the activities of the City's water, sewer, and gas systems. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All utility service costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

The Harbor Fund accounts for the activities of providing boat slips, utilities, and fuel to residents and visitors of the City. These services will be financed or recovered primarily through user charges in the form of rental receipts and the sale of fuel to boaters.

**(H) Assets, Liabilities and Net Position or Equity**

**Cash and Cash Equivalents**

The City considers cash on hand, demand deposits, certificates of deposit, and bank repurchase agreements as cash and cash equivalents. In addition, each fund's equity in the City's investment pool has been treated as a cash equivalent since cash may be deposited or withdrawn from the pool at any time without prior notice or penalty.

**Accounts Receivable**

Accounts receivable are recorded in the Governmental and Business-type Funds. Where appropriate, an associated allowance for doubtful accounts has been established in the related fund.

**Inventories**

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

Governmental and Proprietary Fund inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are consumed.

24

**Capital Assets**

Capital assets, including land, buildings, improvements other than buildings, infrastructure (i.e., roads, bridges, street lighting, and other similar items), and equipment are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. The City's capitalization levels are as follows: purchased assets costing more than \$5,000 are capitalized; building renovations are capitalized when their cost exceeds 25% of the building's previously capitalized cost and if the repair extends the building's estimated useful life; contributed capital assets are capitalized and recorded at the estimated market value at the time of the contribution. Salvage values range from 10% to 30% of cost. Assets acquired using capital lease obligations are treated in the same manner as purchased capital assets. Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40-50 years		
		Improvements	40-50 years
		Infrastructure	20-60 years
		Equipment	3-15 years

**Compensated Absences**

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. Employees are paid for up to 30 days of unused vacation and all unused comp time upon retirement or termination, while excess vacation and all accumulated sick leave remaining are counted as creditable service toward retirement.

**Post Employment Health Care Benefits**

The City has no known costs associated with post-employment benefits for retired employees.

**Interfund Transactions**

Disbursements made by one fund which are properly chargeable to another fund result in the creation of interfund receivables and payables. This type of transaction is normally settled by a cash payment between the funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government financial statements as "internal balances". All other interfund transactions are accounted for as either an operating transfer or a capital transfer. A capital transfer results when a governmental fund permanently transfers funds to a proprietary fund as a capital infusion for the construction of fixed assets, for example. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government wide columnar presentation.

**Advances to Other Funds**

Various funds have made short-term advances to other funds. These advances, shown as "Due From Other Funds", are temporary in nature, bear no interest, and are considered "available spendable resources". Long-term advances, if any, are those for which the timing of repayment is uncertain; thus, an allocable portion of fund balance would be reserved in governmental funds.

**Bond Discounts, Bond Premiums, and Issuance Costs**

In governmental funds, bond discounts, bond premiums, and issuance costs are treated as period costs in the year of issue and are shown as "Other Financing Sources (Uses)".

In proprietary funds (and for governmental activities, in government-wide statements) bond

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

discounts, and bond premiums, are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond issuance costs are expensed when incurred.

25

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. As of September 30, 2015, the City had one deferred outflow of resources related to pension accrual.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2015, the City had deferred inflows of resources that were reported on the financial statements which resulted from court fine revenue that are not presently available for the City's use, and also amounts related to pension accrual.

**Restrictions of Fund Equity**

The City does not have a formal minimum fund balance policy; however, the Mississippi State Code does not allow deficit fund balances. There were no individual funds reported with deficit fund balances.

Note II (K) discusses in more detail the fund balance classification determinations for the governmental funds.

**II. Detail Notes - All Funds**

**A. Property Tax Revenues**

The City levies a tax on real and personal property based on the assessed value of property as compiled by the Hancock County Tax Assessor. The taxes on real and personal property attach as an enforceable lien on the property as of January 1 of each year. Taxes on real and personal property are levied by the City Council at the first regular meeting in September. Through an inter-local agreement, all of the property taxes of the City of Bay St Louis are collected by the Hancock County Tax Collector and remitted as tax settlements (less an appropriate collection fee) to the City on a monthly basis. Taxes for the Bay-Waveland Municipal Separate School District are also billed and collected by the county and remitted to the schools through the City.

In accordance with the Mississippi Code of 1972, as amended, the City Council may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for any one year may not exceed one hundred and ten percent (110%) of the taxes collected for the prior assessment year. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation. In addition, the City Council may levy additional taxes for specific purposes, such as culture and recreation, as authorized by law.

A summary of the assessed valuations and tax levies of the City for the year ended September 30, 2015, are as follows:

Real property	\$ 103,884,762
Personal property	6,484,529

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

Public utilities	2,144,978
Automobiles	<u>10,979,192</u>
Total	<u>\$123,493,461</u>

26

The tax levies approved by the Board to be collected during the fiscal years indicated below are as follows:

	<u>2015-2016</u> <u>Millage</u>	<u>2014-2015</u> <u>Millage</u>	<u>2013-2014</u> <u>Millage</u>
<b>City Funds</b>			
General	16.10	15.60	15.09
Library maintenance	2.66	2.66	2.66
Municipal reserve	1.24	1.74	-
Debt service	<u>2.75</u>	<u>2.75</u>	<u>-</u>
Total City administered funds	<u>22.75</u>	<u>22.75</u>	<u>17.75</u>
 <b>School Funds</b>			
District maintenance	43.90	43.51	43.51
School debt	<u>6.15</u>	<u>6.11</u>	<u>6.11</u>
Total School administered funds	<u>50.05</u>	<u>49.62</u>	<u>49.62</u>
 Total levy	<u><u>72.80</u></u>	<u><u>72.37</u></u>	<u><u>67.37</u></u>

**B. Sales Tax Revenues**

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City) back to the City monthly. Sales tax revenue reported in the general fund was \$1,472,826 a 11.7% increase from the prior year. Sales tax receivable consists of taxes collected in September 2015 but not received by the City until October 2015.

**C. Gaming Revenues**

The City receives gaming revenues from a casino located within the corporate City limits as follows:

*Gross Revenue Gaming Tax and Gaming Device Tax*

The gross revenue gaming tax is imposed and collected by the State of Mississippi which is similar to sales tax and remitted to the City.

The gaming device tax is similar to a personal property tax and is assessed on all gaming devices maintained by the casino within the City's corporate limits; this tax is also collected by the State. The amount of tax recognized as gaming revenue and gaming devices is \$112,455 and \$137,089 respectively, for the year ended September 30, 2015. These revenues are included in gaming revenue on the statement of activities.

*Boarding Fees*

The City is permitted by law to collect a boarding fee from the casino that is within its corporate limits. Accordingly, the City has negotiated a contractual amount to be paid directly to the City on a monthly basis and is based on gross revenues. The City collected \$1,873,133 in boarding fees for the year ended September 30, 2015. This represents a decrease of 4.1% in comparison with the prior year, and this amount is included in gaming revenue.

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

**D. Deposits and Investments**

**Deposits**

The City deposits funds in financial institutions selected by the City Council in accordance with state statutes. Furthermore, the City invests excess funds in various investment instruments that are allowed by statutes. Various restrictions on deposits and investments are imposed by statutes. Deposits and investments are summarized below.

Deposits consist of cash amounts in demand accounts and certificates of deposit. The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). By using this multiple financial institution collateral pool, all of the City's deposits at September 30, 2015 fall into the credit risk category of "*Insured or collateralized with securities held by the entity or by its agent in the entity's name*".

*Custodial Credit Risk.* Deposits. Custodial credit risk is the risk that in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer's office to manage that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions' trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. By signed agreement the Mississippi State Treasurer's office is acting on behalf of the City. Deposits at September 30, 2015 (including restricted deposits) are as follows:

	<b>Bank Balances</b>	<b>Carrying Value</b>
<b>Pooled deposits:</b>		
Cash and cash equivalents	\$ 802,904	\$ 303,418
<b>Non-pooled deposits:</b>		
Cash and cash equivalents	1,431,434	1,412,516
Total	<u>\$ 2,234,338</u>	<u>\$ 1,715,934</u>

**Reconciliation to Government-wide Statement  
of Net Position:**

Government activities:

Unrestricted cash	\$ 850,860
Restricted (Fire rebate)	77,980

Business-type activities:

Unrestricted cash	287,217
Restricted (Utility deposits)	499,877

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

Total	<u>\$1,715,934</u>
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28

**E. Receivables**

The Statement of Net Position of the City includes the following receivables at September 30, 2015:

Taxes receivable:	
Franchise tax	\$ 121,407
Sales tax	265,002
Ad valorem tax	<u>15,707</u>
Total taxes receivable	\$ <u>402,116</u>
Court fines and other	\$ <u>178,567</u>
Customer accounts receivable:	
Harbor slip fees	\$ 16,808
Water, sewer and gas utility charges (billed)	1,724,838
Less: allowance for doubtful accounts	(1,352,524)
Customer accounts receivable earned but not billed	<u>147,488</u>
Total customer accounts receivable, net	\$ <u>536,610</u>
Due from Other Governments:	
Federal, state, and local assistance	\$ <u>586,663</u>

**F. Prepaid Insurance**

Prepaid Insurance at September 30, 2015 consists of the following:

Governmental Funds (Building & Liability)	\$ 135,294
Proprietary funds (Buildings & Liability)	<u>35,067</u>
Total Prepaid	\$ <u>170,361</u>

**G. Interfund Transactions**

Interfund loans are reported on the government wide statements as internal balances and as interfund loans on the governmental fund statements. The following is a recap of interfund loans as of September 30, 2015:

Receivable Fund	Payable Fund	Amount
General Fund	Utility Fund	\$ 149,072
	Harbor Fund	9,305
	Debt service Fund	44,157
Municipal Reserve Fund	General Fund	369,534
Debt Service Fund	Utility Fund	57,458
Other governmental funds	General Fund	448,536
Harbor Fund	Utility Fund	3,716

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

Total	<u>\$ 1,081,778</u>
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29

**G. Interfund Transactions (Continued)**

Interfund transfers for the year ended September 30, 2015 are as follows:

Transfers Out	Transfers In	Amount
General Fund	Debt Service Fund	\$ 61,484
	Other governmental funds	579,484
Municipal Reserve Fund	General Fund	91,711
Other governmental funds	General Fund	73,519
Other governmental funds	Other governmental funds	120,709
Utility Fund	General Fund	200,000
Harbor Fund	General Fund	100,000
Total		<u>\$ 1,226,907</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**H. Capital Assets**

Capital asset activity for the year ended September 30, 2015 is as follows:



**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

	<b>Balance 10/1/2014</b>	<b>Additions</b>	<b>Deletions/ Adjustments</b>	<b>Balance 9/30/2015</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 1,097,633	\$ -	\$ (240,000)	\$ 857,633
Construction in progress	89,719	8,893	-	98,612
Total capital assets, not being depreciated	1,187,352	8,893	(240,000)	956,245
Capital assets being depreciated:				
Buildings and improvements	29,487,079	-	-	29,487,079
Machinery and equipment	1,970,592	15,250	211,197	2,197,039
Infrastructure/improvements	33,532,562	-	-	33,532,562
Vehicles	2,372,190	-	(31,031)	2,341,159
Leased equipment/vehicles	1,271,824	419,638	(223,197)	1,468,265
Total capital assets, being depreciated	68,634,247	434,888	(43,031)	69,026,104
Less: Accumulated depreciation				
Buildings and improvements	(2,257,816)	(592,783)	-	(2,850,599)
Machinery and equipment	(1,570,042)	(89,151)	(26,574)	(1,685,767)
Infrastructure/improvements	(8,024,366)	(1,509,431)	-	(9,533,797)
Vehicles	(2,075,800)	(58,146)	27,856	(2,106,090)
Leased equipment/vehicles	(280,042)	(143,857)	37,374	(386,525)
Total accumulated depreciation	(14,208,066)	(2,393,368)	38,656	(16,562,778)
Total capital assets being depreciated, net	54,426,181	(1,958,480)	(4,375)	52,463,326
Governmental activities capital assets, net	<u>\$ 55,613,533</u>	<u>\$ (1,949,587)</u>	<u>\$ (244,375)</u>	<u>\$ 53,419,571</u>

**H. Capital Assets (Continued)**

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

	<b>Balance 10/1/2014</b>	<b>Additions</b>	<b>Deletions/ Adjustments</b>	<b>Balance 9/30/2015</b>
<b>Business - type activities:</b>				
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	-	-	-	-
Capital assets being depreciated:				
Buildings	118,603	-	-	118,603
Machinery and equipment	622,276	-	(30,000)	592,276
Water, sewer, and gas systems	75,601,623	-	-	75,601,623
Vehicles	97,951	-	9,100	107,051
Harbor infrastructure	21,301,693	-	-	21,301,693
Total capital assets, being depreciated	97,742,146	-	(20,900)	97,721,246
Less: Accumulated depreciation				
Buildings	(76,625)	(1,000)	-	(77,625)
Machinery and equipment	(408,600)	(19,654)	27,000	(401,254)
Water, sewer, and gas systems	(20,090,893)	(3,019,698)	-	(23,110,591)
Vehicles	(88,158)	-	(8,190)	(96,348)
Harbor infrastructure	(133,136)	(532,542)	-	(665,678)
Total accumulated depreciation	(20,797,412)	(3,572,894)	18,810	(24,351,496)
Total capital assets being depreciated, net	76,944,734	(3,572,894)	(2,090)	73,369,750
Business activities capital assets, net	<u>\$ 76,944,734</u>	<u>\$ (3,572,894)</u>	<u>\$ (2,090)</u>	<u>\$ 73,369,750</u>
Primary Government				
Total capital assets, net	<u>\$ 132,558,267</u>	<u>\$ (5,522,481)</u>	<u>\$ (246,465)</u>	<u>\$ 126,789,321</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 357,916
Public safety	365,602
Public works	1,261,315
Culture and recreation	408,535
Total	<u>\$ 2,393,368</u>
Business-type activities:	
Water system	\$ 532,542
Harbor	3,040,352
Total	<u>3,572,894</u>
Total All Depreciation	<u>\$5,966,262</u>

## **I. Capital Leases**

The City has entered into several capital leases to finance the purchase of equipment and vehicles. The purchases were financed at a fixed, simple interest rate. Title to the assets is held in the name of the City and the banks as lien holder. The City insures the assets and accounts for the leases as financing arrangements.

The City will make the following future payments of principal and interest on all leases:

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

	Principal	Interest	Total
2016	\$ 163,245	\$ 27,530	\$ 190,775
2017	173,631	23,251	196,882
2018	181,139	18,492	199,632
2019	165,826	13,760	179,586
2020	113,958	9,277	123,235
2021-2025	246,667	17,871	267,538
	<u>\$ 1,047,466</u>	<u>\$ 110,181</u>	<u>\$ 1,157,647</u>

<u>Assets Acquired thru Capital Lease:</u>	<u>Governmental Activities</u>
Fire truck	\$ 579,947
John Deere tractor	82,310
(5) police vehicles	174,929
(3) tractors	211,441
(11) police vehicles	<u>419,638</u>
	1,468,265
Total	<u>(386,525)</u>
	<u>\$ 1,081,740</u>

Future minimum lease payments and the net present value of the lease payments are:

<u>Year Ended September 30</u>	<u>Governmental Activities</u>
2016	\$ 190,775
2017	196,882
2018	199,632
2019	179,586
2020	123,235
2021-2025	<u>267,538</u>
Total minimum lease payments	1,157,647
Less: amount representing interest	<u>(110,181)</u>
Present value of minimum lease payments	<u>\$ 1,047,466</u>

Page 34 details the capital leases payable at September 30, 2015

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

**J. Long-Term Debt**

The following is a summary of bond and other long-term debt transactions of the City for the year ended September 30, 2015:

	Beginning			Ending	Amounts
	Balance	Additions	Reductions	Balance	Due Within
Governmental activities:					One Year
General obligation bonds	\$ 645,000	\$ -	\$ 107,500	\$ 537,500	\$ 107,500
Notes payable	182,266	-	50,719	131,547	56,073
Capital leases	791,853	419,638	164,025	1,047,466	163,245
Compensated absences	264,359	-	11,941	252,418	-
Total governmental activities	<u>\$ 1,883,478</u>	<u>\$ 419,638</u>	<u>\$ 334,185</u>	<u>\$ 1,968,931</u>	<u>\$ 326,818</u>
Business-type activities:					
Refunding bonds	\$ 1,700,000	\$ -	\$ 320,000	\$ 1,380,000	\$ 330,000
Line of credit note payable	290,141	-	290,141	-	-
Compensated absences	38,154	-	5,433	32,721	-
Total business-type activities	<u>\$ 2,028,295</u>	<u>\$ -</u>	<u>\$ 615,574</u>	<u>\$ 1,412,721</u>	<u>\$ 330,000</u>

The annual requirements to pay principal and interest on the governmental activities bonds, notes and loans outstanding at September 30, 2015 are as follows:

Year Ending	Governmental Type Activities								
	General Obligation Bonds			Notes Payable			Capital Leases		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 107,500	\$ 11,949	\$ 119,449	\$ 56,073	\$ 3,138	\$ 59,211	\$ 163,245	\$ 27,530	\$ 190,775
2017	107,500	9,293	116,793	57,749	1,462	59,211	173,631	23,251	196,882
2018	107,500	6,638	114,138	17,725	110	17,835	181,139	18,492	199,631
2019	107,500	3,983	111,483	-	-	-	165,826	13,760	179,586
2020	107,500	1,328	108,828	-	-	-	113,958	9,277	123,235
2021-2025	-	-	-	-	-	-	249,667	17,871	267,538
	<u>\$ 537,500</u>	<u>\$ 33,191</u>	<u>\$ 570,691</u>	<u>\$131,547</u>	<u>\$ 4,710</u>	<u>\$136,257</u>	<u>\$1,047,466</u>	<u>\$ 110,181</u>	<u>\$1,157,647</u>

The annual requirements to pay principal and interest on the governmental activities bonds, notes and loans outstanding at September 30, 2015 are as follows:

Year Ending	Business Type Activities		
	Refunding Bonds		
	Principal	Interest	Total
2016	\$ 330,000	\$ 36,846	\$ 366,846
2017	340,000	28,035	368,035
2018	350,000	18,957	368,957
2019	360,000	9,612	369,612
	<u>\$1,380,000</u>	<u>\$ 93,450</u>	<u>\$1,473,450</u>

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

**J. Long-Term Debt (Continued)**

Bonds, notes, and other long-term debt payable at September 30, 2015 are comprised of the following individual issues:

<b>Governmental Type Activities</b>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
General Obligation Bonds:			
General Obligation Katrina Loan Refunding Bonds			
Bonds Series 2010, semi-annual payments thru			
March 2020	<u>\$ 1,075,000</u>	2.47%	<u>\$ 537,500</u>
Total General Obligation bonds	<u>1,075,000</u>		<u>537,500</u>
Notes Payable:			
First Bank (5 Dodge Chargers) monthly payments			
until January 2018	186,732	3.04%	111,360
First Bank (Toyota Tundra) monthly payments			
until November 2017	<u>36,462</u>	2.18%	<u>20,187</u>
Total Notes Payable	<u>223,194</u>		<u>131,547</u>
Capital Leases Payable:			
BancorpSouth (3 Tractors)			
monthly installments through April 2016	211,441	3.27%	26,485
Kansas State Bank (5 Chevy Caprices)			
monthly installments through April 2016	174,929	3.33%	23,170
Suntrust Bank - Firetruck Aerial Ladder Truck			
semi-annual payments through December 2023	579,947	2.82%	525,073
BancorpSouth - John Deere Tractor w/boom			
monthly installments through November 2018	82,310	1.96%	53,100
Lease Experts (11 Dodge Chargers)			
monthly installments through February 2020	<u>419,638</u>	2.71%	<u>419,638</u>
Total Capital Leases Payable	<u>1,468,265</u>		<u>1,047,466</u>
Total Governmental Type Activities			1,716,513
Compensated absences			<u>252,418</u>
Total Governmental Type Debt			1,968,931
Less: Current Portion			<u>(326,818)</u>
Total Governmental Type Long-Term Debt			<u>\$ 1,642,113</u>
<b>Business Type Activities</b>			
Water, Sewer, and Gas Debt:			
Refunding Bonds, Series 2014			
semi-annual payments thru June 2019	\$ 1,700,000	2.67%	\$ 1,380,000
Total Water, Sewer, and Gas Debt			1,380,000
Compensated absences			<u>32,721</u>
Total Business Type Activities			1,412,721
Less: Current Portion			<u>(330,000)</u>
Total Business Type Long-Term Debt			<u>\$ 1,082,721</u>

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

**J. Long-Term Debt (Continued)**

*Legal Debt Margin*

The amount of debt, excluding specific exempted debt, which can be incurred by the City, is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. The City's legal debt margin for general obligation bonds is \$18,524,019. At September 30, 2015, the City's legal debt margin, after reduction for outstanding general obligation bonds of \$1,917,500, was \$16,606,519. Thus, the amount of outstanding bond debt, at September 30, 2015, was equal to 1.6% of the latest property assessments.

**K. Fund Balance Disclosures**

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

**Non-spendable** - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City currently only has prepaid insurance reported as non-spendable fund balance.

**Restricted** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

**Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end.

**Assigned** – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or by an official or body to which the Board delegates authority. The City has no assigned fund balances reported at this time.

**Unassigned** – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

**L. Defined Benefit Pension Plan**

*Plan Description:* The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions:* PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate for the fiscal year ended September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2015, 2014, and 2013 were \$614,636, \$634,493, and \$624,501, respectively, which equaled the required contributions for each year.

**Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2015, the City reported a liability of \$9,893,138 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

valuation as of that date. The City's portion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At September 30, 2015, the City's proportion was .064% percent.

For the year ended September 30, 2015, the City recognized pension expense of \$1,029,979. At September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual Experience	\$ 152,250	\$ -
Net difference between projected and actual earnings on pension plan investments	578,855	596,446
Changes in proportion and differences between City contributions and proportionate share of contributions	852,260	-
City contributions subsequent to the measurement date	137,890	-
Total	\$ <u>1,721,255</u>	\$ <u>596,446</u>

\$137,890 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$364,907
2017	364,907
2018	261,502
2019	(4,398)

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale BB to 2016, set forward one year for males.



**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34%	5.20%
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100%</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability	\$ 13,040,062	\$ 9,893,138	\$ 7,281,779

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

38

**M. Deferred Compensation Plan**

The City also offers employees voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, Group Flexible Fund Retirement Contracts, administered by Nationwide Retirement Solutions, Inc., permits employees to defer a portion of their salary until future years. All plan assets are held in trust by Nationwide for the exclusive benefit of the participants and their beneficiaries and not subject to the claims of the City's general creditors.

**N. Related Party Commitments**

A joint venture is a legal entity or other organization that results from a contractual arrangement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share costs, risks, and rewards of providing goods or services to the venture participants directly or for the benefit of the general public or specific service recipients.

*Hancock County Solid Waste Authority*

The City provides for pickup and disposal of garbage and trash through a solid waste contract with Hancock County Solid Waste Authority "Authority", formerly Hancock County Solid Waste Management District. The Authority was formed as an inter-local joint venture with the City of Bay St. Louis and Hancock County, late in fiscal year 1994. The Authority was officially incorporated in March 1998 pursuant to an incorporation agreement entered into in December 1997.

During the year ended September 30, 2015, the City paid a total of \$417,648 for solid waste services, which is included in the business-type activities expenses in the statement of activities. The City pays \$9.00 per residential solid waste pickup. The City is jointly and severally liable for all of the liabilities of the Authority. The following is synopsis of the Authority's most recent financial statements as of and for the year ended June 30, 2014:

STATEMENT OF NET POSITION

<b>ASSETS</b>	
Current assets	\$ 357,401
<b>LIABILITIES</b>	
Current and other liabilities	<u>218,015</u>
<b>NET POSITION</b>	
Unrestricted	\$ <u>139,386</u>

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION

Operating revenues	\$ 1,643,072
Operating expenses	(2,378,276)
Non-operating revenues (expenses)	<u>16,083</u>
Change in net assets	\$ <u>(719,121)</u>

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

Complete financial statements can be obtained from the Hancock County Solid Waste Authority's Administrator by calling (228) 467-2770.

*Hancock County Utility Authority*

The Hancock County Utility Authority, "Utility Authority" provides for the operation and maintenance of the sewer treatment plant on a cost reimbursement basis. Pursuant to the terms of the agreement, the City is required to pay monthly costs of operations and maintenance directly associated with the treatment facilities and to share in the construction costs of the treatment facility.

The costs associated with the contract total \$724,562 for the year ended September 30, 2015, and are in the business-type activities expenses in the statement of activities. A fee has been added to rates charged by the utility billing system as an assessment for the District.

Accordingly, the City is jointly and severally liable for all of the liabilities of the Utility Authority. The Utility Authority is classified as a joint venture between the City and the other members.

In April 2009, the City entered into an agreement with the Utility Authority whereby the Utility Authority conveyed the wastewater collection system (once constructed by the Utility Authority and accepted by the City) to the City for the purpose of collecting and transporting wastewater to the Utility Authority's treatment plant for treatment and discharge.

The following is a synopsis of the Utility Authority's most recent financial statements as of and for the year ended September 30, 2014:

**STATEMENT OF NET POSITION**

<b>ASSETS</b>	
Current assets	\$ 1,457,773
Non-current assets	<u>157,895,430</u>
	<u>159,353,203</u>
<b>LIABILITIES</b>	
Current and other liabilities	1,802,500
Long-term debt outstanding	<u>11,914,411</u>
	<u>13,716,911</u>
<b>NET POSITION</b>	<u><u>\$ 145,616,292</u></u>

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION**

Operating revenues	\$ 2,094,622
Operating expenses	(3,435,171)
Non-operating revenues	<u>5,602,739</u>
Increase in net position	<u><u>\$4,262,190</u></u>

Complete financial statements can be obtained from the Hancock County Utility Authority's Administrator by calling (228) 467-3702.

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

40

**O. Jointly Governed Organizations**

*Hancock County Library System* – The City entered into an agreement with the City of Waveland and the Hancock County Board of Supervisors, to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Hancock County Library System. There are no specific monetary terms in the agreement and the City has no equity interest in the organization. However, a budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other funding sources.

The City of Bay St. Louis allocated and contributed 2.66 mills for the year ended September 30, 2015 through proceeds of a specific tax levy authorized by MS Code 39-3-13. The amount budgeted for the City of Bay St. Louis for the fiscal year ended September 30, 2016 is the same 2.66 mills. This agreement is cancelable upon 90 days written notice prior to the end of the fiscal year and therefore, the City does not have an ongoing financial responsibility.

**P. Contractual Commitments**

In connection with capital project contracts, the City budgeted certain commitments for engineering services, construction and other capital project costs. The following project is to be funded, in part, with MDOT grants. The remainder of the required funds will be generated by local sources. The following is a summary of the budgeted commitment for future capital projects at September 30, 2015:

	Contract Amount	Expended to Date	Remaining Contract
Spanish Trail Sidewalks and Lights	\$ 892,514	\$ 98,612	\$ 793,902

**Q. Risk Management**

The City is covered for significant losses through commercial insurance carriers except for the following, which are covered through self-insurance risk pools.

*Self-Insurance – Workers Compensation Fund*

The City is one of approximately 250 members in the Mississippi Municipal Workers' Compensation Group, Inc. This non-profit corporation is a self-insurance workers' compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory workers compensation protection up to \$1,000,000. Members are jointly and severally liable for the obligations for the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

*Self-Insurance Liability Fund*

The City is one of approximately 250 members in the Mississippi Municipal Liability Plan. The plan is a private non-profit corporation organized under the laws of the State of Mississippi. The plan provides liability and tort claims insurance for its members up to \$500,000 and \$50,000 per occurrence, respectively. The plan is totally self-insured with claims and expenses paid out of the premiums, and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any cannot be determined.

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

41

**R. Prior Period Adjustments**

The prior period adjustments reported on the Statement of Activities (page 12) and the Statement of Revenues and Expenses and Changes in Net Position (page 18) and they are the result of corrections as follows:

**Governmental Activities:**

Implementation of GASB 68 and 71:		
Net pension liability (measurement date)	\$	(7,108,020)
Deferred outflows - contributions made during fiscal year 2014		<u>145,269</u>
Total Governmental Activities		(6,962,751)

**Business Type Activities:**

Implementation of GASB 68 and 71:		
Net pension liability (measurement date)		<u>(913,488)</u>
Total Prior Period Adjustments	\$	<u><u>(7,876,239)</u></u>

**S. Subsequent Events**

Events that occur after the statement of net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. Management of the City of Bay St Louis evaluated the activity of the City through June 30, 2016, and determined the following were reportable subsequent events that require disclosure in the notes to the financial statements:

In March 2016 the City issued \$4,000,000 of General Obligation Public Improvement Bonds, Series 2016 for various City-wide road resurfacing projects.

**City of Bay St. Louis, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2015

## **Required Supplemental Information**

**City of Bay St. Louis, Mississippi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Budget Basis**  
**General Fund**

For the Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Original to Final Variance	<b>Budget Basis Actual</b>	Final Budget to Actual Variance
	Original	Final			
<b>Revenues</b>					
Taxes:					
Property	\$ 1,749,664	\$ 1,900,999	\$ 151,335	\$ 1,645,939	\$ (255,060)
Sales	1,267,695	1,267,695	-	1,324,189	56,494
Franchise	408,715	416,730	8,015	441,173	24,443
Licenses and permits	187,466	189,580	2,114	229,526	39,946
Intergovernmental	371,899	268,881	(103,018)	261,714	(7,167)
Charges for services	111,512	80,000	(31,512)	78,589	(1,411)
Gaming revenue	2,185,734	2,075,000	(110,734)	1,991,674	(83,326)
Grants	411,997	492,800	80,803	354,256	(138,544)
Fines and forfeitures	84,880	117,833	32,953	111,433	(6,400)
Other	10,966	5,000	(5,966)	25,403	20,403
Total revenues	<u>6,790,528</u>	<u>6,814,518</u>	<u>23,990</u>	<u>6,463,896</u>	<u>(350,622)</u>
<b>Expenditures</b>					
General Government					
City Council					
Personnel services	251,503	253,595	2,092	247,775	5,820
Supplies	6,800	6,500	(300)	7,308	(808)
Other services and charges	4,197	4,125	(72)	5,815	(1,690)
Capital outlay	-	-	-	-	-
Total	<u>262,500</u>	<u>264,220</u>	<u>1,720</u>	<u>260,898</u>	<u>3,322</u>
Judicial					
Personnel services	199,740	178,549	(21,191)	158,302	20,247
Supplies	8,910	5,725	(3,185)	3,582	2,143
Other services and charges	14,584	56,500	41,916	46,765	9,735
Capital outlay	-	-	-	-	-
Total	<u>223,234</u>	<u>240,774</u>	<u>17,540</u>	<u>208,649</u>	<u>32,125</u>
Administration					
Personnel services	625,694	674,761	49,067	635,572	39,189
Supplies	19,470	16,200	(3,270)	10,044	6,156
Other services and charges	693,174	1,230,215	537,041	1,237,168	(6,953)
Capital outlay	-	-	-	-	-
Total	<u>1,338,338</u>	<u>1,921,176</u>	<u>582,838</u>	<u>1,882,784</u>	<u>38,392</u>
Building Department					
Personnel services	316,627	311,070	(5,557)	273,793	37,277
Supplies	4,764	2,000	(2,764)	647	1,353
Other services and charges	7,165	6,100	(1,065)	4,201	1,899
Capital outlay	-	-	-	-	-
Total	<u>328,556</u>	<u>319,170</u>	<u>(9,386)</u>	<u>278,641</u>	<u>40,529</u>
Total General Government	<u>2,152,628</u>	<u>2,745,340</u>	<u>592,712</u>	<u>2,630,972</u>	<u>114,368</u>

(Continued)



**City of Bay St. Louis, Mississippi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Budget Basis**  
**General Fund**

For the Fiscal Year Ended September 30, 2015

<b>Expenditures (Continued)</b>	<b>Budgeted Amounts</b>		<b>Original to Final Variance</b>	<b>Budget Basis Actual</b>	<b>Final Budget to Actual Variance</b>
	<b>Original</b>	<b>Final</b>			
Public Safety:					
Police					
Personnel services	1,533,384	1,641,104	107,720	1,544,086	97,018
Supplies	116,618	97,300	(19,318)	88,955	8,345
Other services and charges	76,106	58,100	(18,006)	63,455	(5,355)
Capital outlay	269,961	56,000	(213,961)	25,220	30,780
Total	1,996,069	1,852,504	(143,565)	1,721,716	130,788
Fire					
Personnel services	1,055,492	1,003,119	(52,373)	960,359	42,760
Supplies	9,818	7,150	(2,668)	8,953	(1,803)
Other services and charges	42,043	32,100	(9,943)	42,823	(10,723)
Capital outlay	602,824	-	(602,824)	48,500	(48,500)
Total	1,710,177	1,042,369	(667,808)	1,060,635	(18,266)
Total Public Safety	3,706,246	2,894,873	(811,373)	2,782,351	112,522
Public Works					
Personnel services	663,145	780,663	117,518	701,452	79,211
Supplies	179,863	223,750	43,887	159,733	64,017
Other services and charges	845,810	698,131	(147,679)	701,115	(2,984)
Capital outlay	217,849	23,889	(193,960)	18,513	5,376
Total	1,906,667	1,726,433	(180,234)	1,580,813	145,620
Parks and Recreation					
Personnel services	253,482	252,380	(1,102)	218,485	33,895
Supplies	5,535	4,750	(785)	591	4,159
Other services and charges	35,345	8,750	(26,595)	8,408	342
Capital outlay	-	-	-	-	-
Total	294,362	265,880	(28,482)	227,484	38,396
Total expenditures	8,059,903	7,632,526	(427,377)	7,221,620	410,906
Excess (deficiency) of revenues over expenditures	(1,269,375)	(818,008)	451,367	(757,724)	60,284
<b>Other financing sources (uses):</b>					
Interest earned	500	-	(500)	478	478
Loan proceeds	921,915	68,000	(853,915)	-	(68,000)
Insurance proceeds	11,636	-	(11,636)	11,078	11,078
Sale of assets	-	370,000	370,000	520,928	150,928
Transfers in (out)	345,000	395,070	50,070	300,000	(95,070)
Total other financing sources (uses)	1,279,051	833,070	(445,981)	832,484	(586)
Net change in fund balances	9,676	15,062	5,386	74,760	59,698
Fund balance, October 1 - GAAP basis				455,415	
Adjustments:					
To convert receivables				346,870	
To convert payables				(757,971)	
Fund balance, September 30				<u>\$ 119,074</u>	

*The Accompanying Notes are an Integral Part of the Financial Statements.*

**City of Bay St. Louis, Mississippi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Budget Basis**  
**Municipal Reserve Fund**  
For the Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Original to Final Variance	<b>Budget Basis Actual</b>	Final Budget to Actual Variance
	Original	Final			
<b>Revenues</b>					
Taxes:					
Property	\$ -	\$ 200,100	\$ 200,100	\$ 176,702	\$ (23,398)
Total revenues	-	200,100	200,100	176,702	(23,398)
<b>Expenditures</b>					
Public Works					
Capital outlay	-	-	-	-	-
Total	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	200,100	200,100	176,702	(23,398)
<b>Other financing sources (uses):</b>					
Interest earnings	-	737	737	737	-
Sale of assets	-	-	-	513,850	513,850
BP settlement	-	-	-	310,392	310,392
Transfers in	-	570,100	570,100	-	(570,100)
Transfers (out)	-	(95,070)	(95,070)	(91,711)	3,359
Total other financing sources (uses)	-	475,767	475,767	733,268	257,501
Net change in fund balances	-	675,867	675,867	909,970	234,103
Fund balance, October 1 - GAAP basis				13,906	
Adjustments:					
To convert receivables				19,686	
To convert payables				-	
Fund balance, September 30				<u>\$ 943,562</u>	

*The Accompanying Notes are an Integral Part of the Financial Statements.*

**City of Bay St. Louis, Mississippi**  
**Required Supplementary Information**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years\***

	<u><b>2015</b></u>
City's proportion of the net pension liability (asset)	0.064%
City's proportionate share of the net pension liability (asset)	\$ 9,893,138
City's covered-employee payroll	\$ 3,949,302
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	245.58%
Plan fiduciary net position as a percentage of the total pension liability	61.700%

The notes to the required supplemental information are an integral part of this schedule.

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30/15

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

*The Accompanying Notes are an Integral Part of the Financial Statements.*

**City of Bay St. Louis, Mississippi**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**PERS**  
**Last 10 Fiscal Years\***

	<u><b>2015</b></u>
Actuarially calculated required contribution	\$ 614,636
Actual contributions in relation to the contractually required contribution	614,636
Contribution deficiency (excess)	\$ <u><u>-</u></u>
City's covered-employee payroll	3,902,451
Contributions as a percentage of covered-employee payroll	15.75%

The notes to the required supplemental information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

*The Accompanying Notes are an Integral Part of the Financial Statements.*

**City of Bay St. Louis, Mississippi**  
**Notes to the Required Supplementary Information**  
For the Year Ended September 30, 2015

Budgetary Comparison Schedules

(1) Basis of Presentation.

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) The procedures used by the City in establishing the budgetary data are as follows:

1. The City Clerk's office prepares estimates of available revenue and the department directors submit proposed expenditure budgets to the City Clerk by June 1 of each year.
2. The Mayor and the department directors review expenditure budgets and necessary revisions are made.
3. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
4. The Mayor submits the proposed budget to the Council by August 1 and public hearings are conducted to obtain taxpayer comments.
5. The final budget is approved by September 15 and is published in a local newspaper on or before September 30.
6. The budget is formally adopted at the first meeting in September each year. However, budget revisions are made throughout the year (prior to September), as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for budget amendment.
7. Formal budget integration is employed as a management control device during the fiscal year for the general fund.
8. The general fund and the municipal reserve fund budgets are adopted on a cash basis as required by State statute. The appropriated budget is prepared by fund, function and department. The legal level of budgetary controls is at the department level. The City Clerk's office exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without Council approval. However, department heads may make transfers of appropriations within a department. Budgetary controls are implemented through the City Clerk's office through the use of budget to actual reports.

The general fund's budgeted revenues exceeded actual revenues by \$350,622, and actual expenditures were less than budgeted expenditures by \$410,906 which produced a positive net variance of \$60,284.

## **Supplemental Information**

**City of Bay St. Louis, Mississippi**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
September 30, 2015

<b>Assets</b>	<b>CDBG Grant Fund</b>	<b>DOJ Fund</b>	<b>Disaster Fund</b>	<b>Total</b>
Cash	\$ 10,889	\$ -	\$ 2,941	\$ 13,830
Due from other governments	21,799	-	168,004	189,803
Due from other funds	-	321,485	127,051	448,536
Total assets	<u>32,688</u>	<u>321,485</u>	<u>297,996</u>	<u>652,169</u>
 <b>Liabilities &amp; Fund Balance</b>				
Liabilities				
Accounts payable	<u>20,000</u>	<u>-</u>	<u>178,242</u>	<u>198,242</u>
Total liabilities	<u>20,000</u>	<u>-</u>	<u>178,242</u>	<u>198,242</u>
Fund balance				
Restricted for:				
Law enforcement	-	321,485	-	321,485
Committed:				
Capital improvements	<u>12,688</u>	<u>-</u>	<u>119,754</u>	<u>132,442</u>
Total fund balances	<u>12,688</u>	<u>321,485</u>	<u>119,754</u>	<u>453,927</u>
Total liabilities and fund balance	<u>\$ 32,688</u>	<u>\$ 321,485</u>	<u>\$ 297,996</u>	<u>\$ 652,169</u>

*The Accompanying Notes are an Integral Part of the Financial Statements.*

**City of Bay St. Louis, Mississippi**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
For the Year Ended September 30, 2015

	CDBG Grant Fund	DOJ Fund	Disaster Fund	Total
<b>Revenues</b>				
Grants	\$ 132,507	\$ -	\$ 70,983	\$ 203,490
Other	-	-	13	13
Total revenues	132,507	-	70,996	203,503
<b>Expenditures</b>				
Current:				
Public safety	-	-	-	-
Capital outlay:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	132,507	-	70,996	203,503
Other financing sources (uses):				
Unallowable costs	-	-	(302,729)	(302,729)
Transfers in	-	321,485	378,708	700,193
Transfers out	(120,708)	-	(73,520)	(194,228)
Excess (deficiency) of revenues and other sources over expenditures and other uses	11,799	321,485	73,455	406,739
Fund balance, beginning	889	-	46,299	47,188
Fund balance, end of year	\$ 12,688	\$ 321,485	\$ 119,754	\$ 453,927

*The Accompanying Notes are an Integral Part of the Financial Statements.*



**City of Bay St Louis, Mississippi**  
**Schedule of Long-Term Debt**  
September 30, 2015

	Date Issued	Original Issue	Balance October 1, 2014	New Issues	Retirements	Balance September 30, 2015	Requirements Year Ended September 30, 2016	
							Principal	Interest
<b>General Obligation Bonds</b>								
GO Katrina Refinance of MDB 2007-A	07/20/10	\$ 1,075,000	\$ 645,000	\$ -	\$ 107,500	\$ 537,500	\$ 107,500	\$ 11,949
Total General Obligation Bonds			645,000	-	107,500	537,500	107,500	11,949
<b>Notes Payable</b>								
The First Bank - 5 Dodge Chargers	01/10/14	186,732	153,092	-	41,732	111,360	46,888	2,790
The First Bank - Tundra	10/25/13	36,462	29,174	-	8,987	20,187	9,185	348
Total Notes Payable			182,266	-	50,719	131,547	56,073	3,138
<b>Capital Leases Payable</b>								
BancorpSouth - 3 Tractors	04/29/11	211,441	70,727	-	44,242	26,485	26,485	289
Kansas State Bank - 5 Chevy Caprices	04/17/12	174,929	72,034	-	48,864	23,170	23,170	300
Suntrust Bank - Firetruck Aerial Ladder Truck	02/07/14	579,947	579,947	-	54,874	525,073	52,057	14,827
BancorpSouth - John Deere Tractor w/boom	11/21/13	82,310	69,145	-	16,045	53,100	16,456	840
Lease Experts - 11 Dodge Chargers	08/28/15	419,638		419,638	-	419,638	45,077	11,274
Total Capital Leases Payable			791,853	419,638	164,025	1,047,466	163,245	27,530
Total General Long-Term Debt			1,619,119	419,638	322,244	1,716,513	326,818	42,617
<b>Proprietary Funds Debt</b>								
<b>Bonds &amp; Notes</b>								
Line of Credit Note Payable	11/26/13	370,000	290,141	-	290,141	-	-	-
2014 Refunding Bonds	06/26/14	1,700,000	1,700,000	-	320,000	1,380,000	330,000	36,846
Total Proprietary Funds Debt			1,990,141	-	610,141	1,380,000	330,000	36,846
Total All			\$ 3,609,260	\$ 419,638	\$ 932,385	\$ 3,096,513	\$ 656,818	\$ 79,463

*See Independent Auditor's Report.*

**City of Bay St. Louis, Mississippi**  
**Schedule of Surety Bonds for Municipal Officials**  
**And Other Municipal Employees**

Name	Position	Surety	Bond
Les Fillingame	Mayor	Liberty Mutual	\$ 100,000
Phillip D. Seal, Jr.	Councilmember	Liberty Mutual	100,000
Wendy McDonald	Councilmember	Liberty Mutual	100,000
Jeffery Reed	Councilmember	Liberty Mutual	100,000
Lonnie Falgout	Councilmember	Liberty Mutual	100,000
Joey Boudin	Councilmember	Western Surety	100,000
Robert J. Compretta	Councilmember	Liberty Mutual	100,000
Michael Favre	Councilmember	Liberty Mutual	100,000
Sissy Gonzales	Comptroller	Liberty Mutual	100,000
Dana Feuerstein	Deputy City Clerk	RLI Surety Company	15,000
Mike DeNardo	Police Chief	RLI Surety Company	50,000
Christine DeBouchel	Deputy Chief	RLI Surety Company	50,000
Peggy Averhart	Court Clerk	RLI Surety Company	15,000
Clementine Sheppard	Deputy Court Clerk	RLI Surety Company	15,000
Mary Ann Bremer	Deputy Court Clerk	RLI Surety Company	15,000
Elizabeth Farve	Accounts Payable Clerk	RLI Surety Company	10,000
Wayne Moran, Jr.	Purchasing Clerk	RLI Surety Company	10,000
Laura Griffith	Deputy City Clerk	RLI Surety Company	10,000
Candee Breaux	Deputy City Clerk	RLI Surety Company	15,000
Katie Stewart	Utility Clerk	RLI Surety Company	15,000
Cindy Elliott	Deputy City Clerk	RLI Surety Company	10,000
Charles Oliver	Building Supervisor	RLI Surety Company	10,000
Tommy McConnell	Building Inspector	RLI Surety Company	10,000
Patricia Tice	Deputy City Clerk	RLI Surety Company	20,000
Police Department	Departmental	RLI Surety Company	25,000
Paula Fairconnetue	Notary Bond	RLI Surety Company	5,000
Charlene Black	Notary Bond	RLI Surety Company	5,000
Sandra Day	Notary Bond	Western Surety	5,000

**Note** – In addition to the Surety Bond Coverage detailed above, all employees are covered under a \$100,000 Honesty Blanket Bond.

*See Independent Auditor's Report*

## **Compliance Section**

**CITY OF BAY ST. LOUIS, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State of Mississippi Development Authority			
Community Development Block Grant - Waterfront Parking	14.218	R-103-112-02-KCR	\$ 269,004
Community Development Block Grant - Pier and Harbor	14.218	R-118-112-11-HCCR	288,079
Total U.S. Department of Housing and Urban Development			<u>557,083</u>
<u>U.S. Department of the Interior - Fish and Wildlife Service</u>			
Passed through Mississippi Department of Marine Resources			
Sportfishing and Boating Safety Act	15.622	F12AF00235	<u>5,051</u>
Total U.S. Department of the Interior			<u>5,051</u>
<u>Executive Office of the President</u>			
High Intensity Drug Trafficking Areas Program	95.001	G14GC0003A	70,784
High Intensity Drug Trafficking Areas Program	95.001	G15GC0003A	66,578
Total Executive Office of the President			<u>137,362</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State of Mississippi			
Disaster Grants - Public Assistance (Presidentially Declared Disasters )	97.036	FEMA-1604-DR-MS	<u>185,068</u>
Total U. S. Department of Homeland Security			<u>185,068</u>
Total Federal Financial Assistance			<u>\$ 884,564</u>

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Bay St. Louis and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and City Council  
City of Bay St. Louis, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the financial statements of *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay St. Louis, Mississippi ("City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, 2015-1 thru 2015-8.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

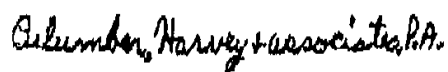
However, we noted certain immaterial instances of noncompliance or other matters that we reported to management of the City in a separate letter dated June 30, 2016, which is included in this report.

## **City's Response to Finding**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide any opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Culumber, Harvey & Associates  
Certified Public Accountants

Gulfport, Mississippi  
June 30, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Honorable Mayor and City Council  
City of Bay St. Louis, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited the City of Bay St. Louis, Mississippi's (City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City of Bay St. Louis, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

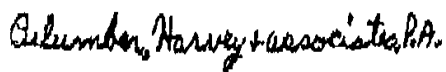
## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Culumber, Harvey & Associates, P.A.  
Certified Public Accountants

Gulfport, Mississippi  
June 30, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH MISSISSIPPI'S STATE LAWS AND REGULATIONS**

To the Honorable Mayor and City Council  
City of Bay St. Louis, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bay St. Louis, Mississippi as of and for the year ended September 30, 2015, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with certain state laws and regulations and our audit of the financial statements the following immaterial instances of noncompliance with other state laws and regulations. Our immaterial findings and recommendations and your responses are as follows:

1. Council Minutes *Prior year finding*

Finding

During our audit testing, we noted that the minutes were not signed by the Mayor or a majority of the Council within 30 days as required by MS Code 21-15-33. In several instances, the attachments to the official minutes were incomplete, and the City Clerk did not present the Council with all monthly revenue and expenditure reports as required by MS Code 21-35-13.

Recommendation

We recommend that the Council minutes are properly prepared and signed in a timely manner, including all attachments. We recommend that the finance department provide the Council with a revenue and expenditure report for every month by the second meeting of the following month as required by MS Code 21-35-13.

Response

The Administration will work to ensure all minutes are properly prepared and include all attachments, and as of July 2015 the Administration has been reviewing the minutes and has greatly improved the situation.

## 2. Municipal Compliance Questionnaire *Prior year finding*

### Finding

The Municipal Compliance Questionnaire was attached to the minutes and the questionnaire that was attached to the official minutes was signed by the City Clerk and Mayor as required, however was not prepared until December after year end, instead of October.

### Recommendation

We recommend that the Municipal Compliance Questionnaire be signed by the City Clerk and Mayor in October following the year end.

### Response

The City will ensure the Municipal Compliance Questionnaire will be reviewed and signed by the Mayor and City Clerk and will ensure that it is spread upon the minutes on the 1st meeting in October. The Compliance Questionnaire will be submitted each October following year-end.

## 3. Ordinance Book *Prior Year Finding*

### Finding

MS Code 21-13-13 states that the City Clerk shall keep a record of all ordinances in force, and each ordinance shall be entered into the ordinance record and spread upon the minutes. The City's ordinance book does not contain all required information as stated in MS Code 21-13-13.

### Recommendation

We recommend that the City properly maintain the ordinance book to include every ordinance in force stating the date of its passage, cite the record and page of the minutes containing the record of its passage, and index all ordinances alphabetically.

### Response

In December the City began to implement a re-codification of City ordinances currently in force along with developing a policy and procedures manual. The council hired two new clerks of the council who are charged with properly compiling the minutes and records of its proceedings, ordinances and resolutions.

## 4. Municipal Fire Funding Compliance *Prior Year Finding*

### Finding

The Municipal Fire Funding Compliance Form must be completed by the City Clerk, financial officer, or CPA of the municipality and returned to the County Fire Coordinator by December 31 of each year. Failure to provide the compliance form will result in the forfeiture of designated state rebate and code monies. The fiscal year 2015 form was completed and signed on January 1, 2016. Some of the information was incorrect and a corrected form was resubmitted.

### Recommendation

We recommend that the City Clerk or financial officer of the City accurately and timely complete and submit this form by December 31 of each year to ensure that the City will not lose any of its designated state rebate and code monies. Fire Rebate monies should be reconciled to the prior year's balance, and the end of year balance per the compliance form should be reconciled to the general ledger. The rebate money should be set aside in a separate general ledger account to be used for approved fire department expenditures as listed on the compliance form.

#### Response

The Finance Department will prepare the annual Municipal Fire Funding Compliance annually by December 31. The Municipal Fire Funding Compliance will be reviewed and approved prior to submission by the City Comptroller. The City will also ensure the Municipal Fire Funding Compliance reconciles to the prior year's balance and the general ledger. The City has already established a separate general ledger account to be expended on approved fire department needs as noted on the compliance form.

#### 5. Payment of Claims

##### Finding

Vendor invoices were paid in excess of 45 days after receipt of the invoice, and not in the order received or listed on the claims docket approved by the Council in violation of MS Code 31-7-305.

##### Recommendation

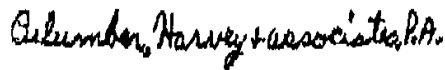
We recommend that a "Date Received" stamp be implemented for all vendor invoices and that the vendor invoices are paid in a timely manner upon its determination of being a valid claim against the City approved by the Council. We also recommend that all payments should be made from original invoices to eliminate invoices being paid twice.

##### Response

The City currently uses a stamp to notate the department approval, council approval date, check number, amount and account, and implemented a claim numbering system to help ensure claims are paid in order of council approval. The Finance Department has implemented the use of a date "Received" stamp for all vendor invoices, and City software already ensures all vendor invoices are not duplicate paid. The City will work closely with City Council members to ensure funds are available to meet City obligations, when necessary.

The instances of noncompliance of the prior year have been corrected by management, unless it is specifically stated otherwise in the findings and recommendations noted above our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the City of Bay St. Louis, Mississippi's council and management, federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Culumber, Harvey & Associates, P.A.  
Certified Public Accountants

Gulfport, Mississippi  
June 30, 2016

**City of Bay St. Louis, Mississippi**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended September 30, 2015

**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements:

- |    |   |            |
|----|---|------------|
| 1. | Type of auditor’s report issued:                      | Unmodified |
| 2. | Internal control over financial reporting:            |            |
|    | a. Material weakness identified?                      | No         |
|    | b. Significant deficiency identified?                 | Yes        |
| 3. | Noncompliance material to financial statements noted? | No         |

Federal Awards:

- |    |   |               |
|----|---|---------------|
| 4. | Internal control over major programs:   |               |
|    | a. Material weakness identified?  | No            |
|    | b. Significant deficiency identified?   | None reported |
| 5. | Type of auditor’s report issued on compliance for major programs?                 | Unmodified    |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No            |
| 7. | Identification of major programs:   |               |

CFDA Numbers

Name of Federal Program or Cluster

14.218	U.S. Department of Housing and Urban Development Community Development Block Grant
--------	---

96.036	U.S. Department of Homeland Security Disaster Grants-Public Assistance
--------	---

- |     |  |           |
|-----|--|-----------|
| 8.  | Dollar threshold used to distinguish between type A and type B programs  | \$300,000 |
| 9.  | Auditee qualified as a low-risk auditee?   | No        |
| 10. | Prior year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in section .315(b) of OMB Circular A-133? | Yes       |

## SECTION 2 – FINANCIAL STATEMENT FINDINGS

### Significant Deficiencies

#### **2015-1: Building Permits *Prior year finding***

*Criteria:* The City's ordinances require that all new building construction and remodels have a valid building permit, and if necessary, the permits may need to be renewed once they expire. Each file should contain documentation to support fees charged, inspections performed, and any other items to ensure compliance with City ordinances.

*Condition:* In the past some permit applications were incomplete and not signed by the applicant or by a City official. Some files were missing inspection documentation, certificates of occupancy, and other documents to ensure compliance with City ordinances. The City was not collecting all fees from property owners for work done to clean up blighted properties. The City has developed a policy and procedures manual to help alleviate confusion on job duties for all departments.

*Cause:* In some cases in past years, the permit department did not follow up on construction projects in progress, and once completed, they did not verify or document that previous issues had been addressed, nor does it perform a review of applicants or property owners that have outstanding balances to pursue collection.

*Effect:* Some building projects were noncompliant due to lack of required permits, documents, follow-up, final inspections, and/or certificates of occupancy, and a loss of revenue due to incorrect assessments and calculations could occur.

*Recommendation:* We recommend that all building projects have a completed and signed application on file with all applicable fees assessed and collected. All permits fees should be paid in full prior to the issuance of permits. The City should implement policies and procedures to ensure that all building projects are inspected throughout the building process, and all projects should have a final inspection conducted. Project files should contain all necessary documentation to ensure compliance with City ordinances.

#### **2015-2: Court Fines and Related Assessments *Prior year finding***

*Criteria:* Proper accounting for court fine revenue is required to accurately determine court assessments due to other agencies and to determine the court fines receivable amounts for each court case. The City is required to submit monthly court assessment reports detailing the amount of funds collected that are to be paid to various agencies and the State.

*Condition:* In some instances, case files were missing documentation detailing payment history, issuance of warrants, proof of jail time served, proof of community service hours served, etc. In other cases, payments and adjustments were not reflected within individual case files, and adjustments were made without proper documentation or approval.

In past years fines and assessments were not properly itemized on the citation or within the case file. Currently the court clerk has developed a new report that will detail and itemize fines and assessments to be placed in the case file. The City did generate a detailed court accounts receivable report on September 30, 2015 and has contracted with a collection agency for outstanding fines.

The City has developed a policy and procedures manual to help alleviate confusion on job duties for all departments.

*Cause:* The City's court department was not following up on offenders' payments, nor were they properly documenting payments and correspondence in each case file, which currently appears to be corrected.

*Effect:* Inadequate review, improper documentation, and untimely generation of reports can result in noncompliance with court orders and state regulations and cause inaccuracies in financial reporting. In the last year revenues have increased as a result of better management of collections.

*Recommendation:* We recommend that the court department continue to review the active files monthly to ensure that each case has current activity and that payment, payment plans, or other arrangements have been made and to determine what course of action should be taken. All correspondence should be documented within each case file. The accounts receivable report and cash bonds and restitution report should be printed and reviewed by knowledgeable personnel every month to ensure correct classifications and financial reporting of these receipts.

### **2015-3: Business-type Activities--Utility Fund and Harbor Fund *Prior year finding***

*Criteria:* Utility customer billings should be reviewed for accuracy and completeness prior to mailing to utility customers. City ordinances should be followed and adhered to for collection and cut-off of utility services.

The utility and harbor accounts receivable reports, the customer meter deposit report, the customer payment plan report, and the utility service cut-off report should be run and reviewed monthly to determine accuracy and the course of action, if necessary. Utility and harbor cash accounts should be reviewed and reconciled to the general ledger and bank statements monthly.

*Condition:* In the past utility billings and collections contained employees, residents, and businesses that were past due in excess of two months with their utility payments. Cutoffs are currently being performed on a consistent basis as required per the City's ordinance. In some cases, customers were not assessed penalties if their accounts were past due.

Utility customer adjustments were made without adequate supporting documentation detailing the reason for the adjustment, and a calculation worksheet was not attached to determine the basis for the amount of the adjustment. The City has developed a policy and procedures manual to help alleviate confusion on job duties for all departments.

Utility and harbor sales tax that was collected from consumers was not paid to the State in a timely manner. Due to this oversight, the City paid in excess of \$800 in late fees for their untimely remittance.

*Cause:* City personnel were not printing and reviewing monthly reports to ensure accuracy and to ensure that City ordinances and policies are carried out.

*Effect:* Failure to properly collect utility receivables and enforce the City's cut-off procedures create a decrease in cash collections, and the increased utility accounts receivable. Improper or unauthorized adjustments are in violation of the City's policies and can result in a decrease of utility revenue. Untimely remittance of utility sales tax has caused the City to be assessed late fees.

*Recommendation:* We recommend that a thorough analysis and review continue to be performed at each billing cycle so that exceptions can be corrected prior to the mail out of utility bills. Cut-off for non-compliant utility customers should continue to be enforced consistently for all utility customers. Sales taxes should be properly and timely remitted to the taxing authority each month, and all bank accounts should be reconciled and balanced every month by the following month.



**2015-4: Payroll Recordkeeping and Reporting *Prior year finding***

*Criteria:* Payroll time cards should be properly completed to reflect actual dates and times worked for all City employees. Paid time-off should be approved and documented by department supervisors for all City employees. Personnel files should contain all required payroll forms and should be updated with personnel changes, such as rate of pay and department information.

*Condition:* During our testing of payroll, we noted that some time cards were not accurately completed to reflect days and times worked. In some cases, paid time off requests were not approved by department supervisors as required by City policy. The fire and police departments are currently using manual systems to document time worked.

Some personnel files were missing required documents such as I-9, PERS forms, and some files lacked updated pay or department information. The City incurred penalties for untimely payments to the state for employee's amount of withholding taxes and PERS contributions. The City has developed a policy and procedures manual to help alleviate confusion on job duties for all departments.

*Cause:* Supervisors are not documenting their approval of employees' paid time-off and are also not enforcing accurate reporting of actual time worked on time cards.

*Effect:* By not ensuring that all time paid to employees was adequately and accurately documented, the City is noncompliant with Department of Labor laws and other City policies. If rate changes and other pertinent employee pay information are not updated within personnel files, employees could be paid incorrectly or improper deductions could be withheld from their paychecks

*Recommendation:* We recommend that department supervisors ensure that all employees' time worked or paid time-off is completely and accurately reflected on their time cards for each pay period. Any monies due to taxing authorities should be paid timely and accurately reflected within the financial statements.

**2015-5: Fixed Assets Management *Prior year finding***

*Criteria:* In accordance with the Mississippi Municipal Fixed Assets Management Manual, fixed assets should be maintained in a subsidiary ledger and updated when new fixed assets that meet capitalization thresholds are acquired or when fixed assets are disposed. All disposals should be properly spread on the minutes to include the method of disposition. Additionally, the Office of the State Auditor requires that an inventory asset listing report should be maintained.

*Condition:* During our audit testing, we noted several fixed assets that had to be added or deleted from the fixed asset subsidiary ledger and the inventory asset listing report. The City has developed a policy and procedures manual to help alleviate confusion on job duties for all departments.

*Cause:* The fixed asset clerk was not updating the fixed asset subsidiary ledger and inventory listing as required. The City should record within the minutes each asset to be disposed.

*Effect:* Improperly accounting for fixed asset acquisitions or disposals can materially distort the subsidiary ledgers that are used to generate financial reports. Improper disposal of fixed assets could cause the City to be in violation of grant agreements, state statutes, and municipal regulations.

*Recommendation:* We recommend that management and the fixed asset clerk adhere to the guidelines set forth in the Mississippi Municipal Fixed Assets Management Manual and timely

update the fixed assets subsidiary ledger and inventory listing report for acquisitions and disposals of fixed and inventory assets.

**2015-6: Journal Entries *Prior year finding***

*Criteria:* Journal entries posted to the general ledger accounting software should have adequate supporting documentation that explains the journal entry, and all journal entries should be authorized and approved by management.

*Condition:* During our testing, we noted that numerous journal entries were made to the general ledger. Many of these entries were later voided and re-entered again in-part or in-whole, and some entries were made to reclassify expenditures from one account to another. We were not able to obtain complete supporting documentation to justify the reason for some journal entries or for some of the reclassifications. Currently the Comptroller is maintaining a file of properly documented journal entries.

*Cause:* We were unable to determine validity of all journal entries made by the City's finance department.

*Effect:* Journal entries posted to the general ledger without adequate supporting documentation increases the risk of financial statement misrepresentation and misstatements, and it can also distort budget to actual reporting.

*Recommendation:* We recommend that management continue to properly maintain a file for all journal entries made to the general ledger system, and that all journal entries have adequate supporting documentation to justify each entry.

**2015-7: Cash Reconciling *Prior year finding***

*Criteria:* Bank statements should be reconciled to the general ledger by the following month with a detailed list of outstanding checks. The City should verify that the outstanding checks' listing does not include checks that have been voided. Deposit slips should be detailed in a sufficient manner so that all deposits can be easily traced to the general ledger. Restricted monies should be properly segregated in accordance with debt covenants, grant agreements, and other regulations.

*Condition:* Some of the cash accounts were improperly reconciled to the monthly bank statements, and the pooled cash account reconciliations were not timely reconciled. The utility customer deposit cash account balance did not match the amount reported in the subsidiary ledger or general ledger.

The City has developed a policy and procedures manual to help alleviate confusion on job duties for all departments, and has assigned an employee to reconcile all the cash accounts and work closely with the comptroller.

*Cause:* Some adjustments had to be made to cash due to voided checks, improper recording of credit card transactions, improper general ledger coding, and corrections to outstanding checks listing.

*Effect:* Errors in cash postings and untimely reconciliation of accounts could cause the financial statements to be misstated. It could also cause money to be misappropriated within departments, and it could cause the City to spend money that it may not have if the cash accounts are not properly, consistently, and timely reconciled.

*Recommendation:* We recommend that the City reconcile all cash accounts by the following month and attach an accurate outstanding checks listing which excludes voided checks. We recommend that the City segregate restricted monies separately in the general ledger and that each of these accounts have a separate bank account as well, and we recognize this has been done subsequent to our audit year by the City.

65

#### **2015-8: Equitable Sharing Grant Funds Noncompliance**

*Criteria:* The Department of Justice Grant cash management compliance requires that grant funds not be comingled into the general fund, but separated into a separate fund.

*Condition:* During our audit the grant monies had been comingled into the general fund. The grantee (DOJ) has begun a review of the City's handling of the grant and has required that nothing further be done regarding the grant monies, until they have completed their review of all the facts.

*Cause:* Grant monies were comingled into the general fund since its inception, however currently the City has established a separate fund for this grant.

*Effect:* The City is non-compliant in regards to the cash management compliance requirement of this federal grant because the City comingled the grant monies into the general fund, however, the City did currently establish a separate fund with an interfund receivable recorded representing the cash balance restricted as stated in the report submitted to the granting agency.

*Recommendation:* We recommend that management adhere to the federal grant cash management compliance requirement and the resulting procedures that will be determined by the grantee (DOJ).

### **SECTION 3 – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

The results of our tests did not disclose any findings and questioned costs related to the federal awards

**AUDITEE'S CORRECTIVE ACTION PLAN**



**AUDITEE'S CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Significant Deficiencies**

**Finding 2015-1: Building Permits**

*Corrective Action:* The Building Department will develop policies and procedures and utilize checklists to collect monies and ensure proper documentation is maintained. The departments will develop and implement checklists to ensure proper permitting has been conducted and will be reviewed to ensure policies are being followed. The City has developed a policy and procedures manual to help alleviate confusion on job duties for all departments.

**Finding 2015-2: Court Fines and Related Assessments**

*Corrective Action:* The Court Department currently has a process in place to collect fines and assessments, to review files, payment plan, etc. The City has developed a policy and procedures manual to help alleviate confusion on job duties for all departments. The Court Department has developed procedures which will aide in the processes to collect and report fines and assessments, review active files on a timely basis and to ensure all applicable documentation is included.

The City's Finance Department will work with the Court Department to develop a reconciliation to agree court fine revenue from the court software system to the general ledger accounting system on a monthly basis. The Court Department is also looking to upgrade their software, which will aide in reporting and collections.

**Finding 2015-3: Business-type Activities--Utility Fund and Harbor Fund**

*Corrective Action:* The City has developed a policies and procedures manual to help alleviate confusion on job duties for all departments. Monthly utility billing packets will be created including utility billing review, reporting (cut-offs, assessments, and adjustment) and deadlines. A review process has already been implemented with the comptroller.

#### **Finding 2015-4: Payroll Recordkeeping and Reporting**

*Corrective Action:* The Payroll Clerk will develop procedures to include the review, approval and submission of timecards prior to payroll processing. The policies will include the responsibilities of the department supervisors, timelines for submitting payments to taxing authorities, and review and reconciliation of time-off. The City has developed a policy and procedures manual to help alleviate confusion on job duties for all departments

The Payroll Clerk and Human Resources personnel will develop employee file documentation requirements to include I-9, W-4, background checks, change of pay records and other departmental or other essential employee records. Procedures will be developed to review employee files to ensure all documents are included and updated. Finance will also work with Payroll to ensure all payments to taxing authorities are accurate and remitted in a timely manner to thwart penalties.

#### **Finding 2015-5: Fixed Assets Management**

*Corrective Action:* The City currently maintains a fixed asset subsidiary listing through INCODE as well as an inventory listing including identification tags and location of assets. The Fixed Asset Clerk will work closely with the City Clerk to ensure assets are recorded and disposed of properly to include documentation and proper recording in minutes.

The Fixed Asset Clerk will continue to update the fixed asset sub-ledger as well as the inventory listing of assets purchased and disposed of as outlined in the Mississippi Municipal Fixed Assets Management Manual and perform an annual inventory.

#### **Finding 2015-6: Journal Entries**

*Corrective Action:* The Finance Department has implemented procedures whereby all journal entries must be reviewed and approved prior to being posted. Procedures will include the review of proper and adequate supporting documentation.

#### **Finding 2015-7: Cash Reconciliations**

*Corrective Action:* The City's Finance Department is currently reconciling all of its cash account by the following month. The Finance Department has developed procedures to ensure reconciliations are accurate and prepared and reviewed in a timely manner.

#### **Finding 2015-8: Equitable Sharing Grant Funds Noncompliance**

*Corrective Action:* Management will adhere to the Guide for Equitable Sharing for State and Local Law Enforcement Agencies and adhere to all of the federal grant compliance requirements. The City is currently working with the Department of Justice through their review process and has provided all requested information. The City is awaiting the results of the review and will abide by the outcome.





**AUDITEE'S SUMMARY OF PRIOR YEAR FEDERAL AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**2014-10: Cash Management**

CFDA # 14.218 – U. S. Department of Housing and Urban Development – Community Development Block Grant

*Status:* Finding was corrected. Monies received on cash requests were paid out within three days of receipt as required by grant program.